

## FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JUNE 25/JUNE 26 1994

D8523A

Price-cut protest  
planned against  
Murdoch group

Andreas Whitam Smith, main founder of The Independent newspaper, which is based in London, plans to go to the UK Office of Fair Trading next week to accuse Rupert Murdoch's News Corporation of predatory pricing by reducing the cover price of The Times to 20p. His allegation is backed by shadow trade and industry secretary Robin Cook who wants the OFT to investigate the British newspaper pricing war. Page 24 and Lex

## Transplant patient recovering well

Stephen Hyett, a 32-year-old butcher from Haverhill, Suffolk, pictured left with his wife Tracy, says he feels fine after undergoing a rare multiple-organ transplant at Addenbrooke's Hospital, Cambridge, southern England. He is one of only a handful of people in the world to have

received a new liver, kidney, stomach, duodenum, small bowel and pancreas. He suffers from Gardner's Syndrome, a condition that can cause deadly tumours in the bowel and duodenum.

Postel, £20 bn UK investment management group, is to vote at company annual meetings against the re-election of directors who have rolling employment contracts longer than two years. Page 24 and Lex

Gunsman on rampage in Frankfurt A gunman armed with a machine pistol struck in the centre of Frankfurt, killing one man and seriously injuring three others, including a child. He later gave himself up.

Opinion poll puts CDU in lead: Germany's governing Christian Democratic Union has moved 4 points clear of its election rival, the Social Democratic party, for the first time in three years, the latest German opinion poll shows. Page 3

Rebels strike Kigali: Rwandan rebels blitzed the government-held centre of Kigali, inflicting dozens of casualties and hitting the Red Cross hospital and public market with mortar fire.

Boy, 13, cleared of rape: Magistrates at Newport, Isle of Wight, cleared a 13-year-old boy of raping a girl in a school sandpit. The boy, 12 at the time of the alleged offence, is the youngest person to have been charged with rape in Britain.

Minister resigns: Portugal's junior minister for employment and training, António Pinto Cardoso, has quit after an investigation was launched into the suspected misuse of European Social Fund money. Page 3

Giant atom-smasher plan on track: Europe is on the brink of building the world's most powerful atom-smasher after the Council of Cem, the European particle physics laboratory near Geneva, backed the project. Page 4

Hong Kong airport accord: A draft agreement on the financing of Hong Kong's HK\$15.5bn (\$20.2bn) airport project is being prepared by British and Chinese officials in the most hopeful sign for two years that a deal can be concluded. Page 4

UK legal aid rules may be revised: The government may change the legal aid rules after a wealthy Arab businessman received more than £4m (\$6.1m) in legal aid to fight an embezzlement action brought by his former employers, the Arab Monetary Fund. Page 7

UK deficit lowest for years: The UK's current account deficit in the first quarter was just £577m (\$1.01bn) - its best performance for seven years, according to the Central Statistical Office. Page 6

EH Aquitaine, privatised French oil group, warned that first-half recurring operating profits would fall by about 20 per cent compared with the same period last year following low crude prices earlier this year. Page 11; Lex, Page 24

Part-time job for Sculley: Former Apple Computer chief executive John Sculley has been hired as a part-time marketing adviser by Eastman Kodak, US photographic products group. Page 11

World Cup: The Irish Republic's hopes of advancing to the next stage of the competition were set back when they were beaten 2-1 by Mexico in Orlando leaving all teams in the group equal on points. Weekend, Page XIV

STOCK MARKET INDICES	
FT-SE 100	2,876.6 (-65.8)
Yield	4.08
FT-SE Euro Stoxx 100	1,328.34 (-8.64)
FT-SE-Air Share	1,465.85 (-2.1%)
Wall St. Composite	2,978.75 (-27.46)
Dow Jones Ind. Ave.	3,085.48 (-33.61)
S&P Composite	448.77 (-3.86)
EURO LUNTIME RATES	
Federal Funds	4.75%
3-mo Treas. Bils: YW	4.231%
Long Bond	8.5%
Yield	7.582%
LONDON MONEY	
3-mo Interbank	5.2% (same)
Lib. long bill: Mar 1000 (Jun 10)	12
NORTH SEA OIL (Argus)	
West 15-day (Aug)	\$17.36 (7.2)
Gold	
New York Comex (Aug)	\$382.9 (\$91.5)
London	\$381.7 (\$90.7)
STERLING	
New York Exchange:	\$ 1.581
London:	1.5422 (1.338)
FR	2.403 (2.457)
DM	5.4379 (5.4428)
FF	2.0642 (2.0783)
SFR	155.503 (155.624)
£ Index	80.0 (73.9)
DOLLAR	
New York Exchange:	DM 1.585
FR	5.43275
SFR	155.503
Y	108.455
London:	DM 1.5872 (1.5935)
FR	5.4715 (5.4875)
SFR	155.503 (1.5465)
Y	108.0 (101.18)
£ Index	83.8 (64.8)
Tokyo close Y 108.4	

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Share and bond prices fall on speculation over higher US interest rates

## Banks' action fails to lift dollar

By Michael Prowse in Washington, Philip Coggan in London and Patrick Harverson in New York

Concerted central bank intervention failed to lift the dollar in European trading yesterday, prompting heavy declines in share and bond prices amid speculation that the US Federal Reserve would be forced to raise short-term interest rates again to defend the US currency.

Up to 17 central banks, led by the Fed, bought an estimated \$20-\$30bn during the European afternoon, three days after the dollar had fallen briefly below ¥100, a post-1945 low.

The dollar initially rallied on the intervention, climbing to ¥101.80 and DM1.61, but then fell back to ¥100.9 and DM1.572 by the London close. By mid-afternoon in New York, the dollar was trading at ¥100.41 and DM1.587, below the levels at which the central banks first intervened.

The Fed continued to buy dollars in New York trading. Confirming the action, Mr Lloyd Bentsen, US treasury secretary, said: "Our actions today in co-operation with our Group of Seven partners and other monetary authorities reflect a shared concern about recent developments in financial markets."

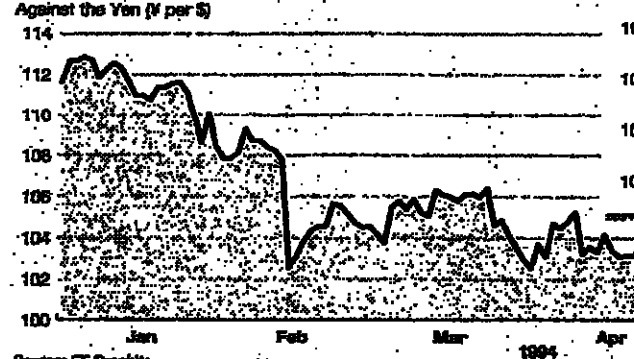
In a hint that central banks would try again to stabilise the dollar, he added: "We look forward to continued co-operation to maintain the conditions necessary for sustained economic expansion with low inflation."

"The view on Wall Street was that the Fed might have to raise the short-term Federal Funds rate, currently 4.25 per cent, at, or before, the next planned meeting of Fed governors and regional presidents on July 5-6."

In London, traders said the central bank action had failed, reinforcing the market view that intervention was ineffective in

## Central banks try to revive the wilting dollar

Against the Yen (¥ per \$)



Source: FT Graphics

Japanese trade surplus 'key to currency fix' Page 4

UK current account deficit surprises City Page 6

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points to 2,876.6, a new low for the year. In Germany the DAX index dropped 16.79 points to 2,005.31, to finish the week with a 2.3 per cent loss overall. Both German bonds and UK gilts fell higher by emphasising the strength of the US recovery and the encouraging outlook for inflation.

But the dollar's failure to respond may partially reflect the muted tone of Mr Bentsen's remarks. He appeared unwilling to defend any particular value of the currency, suggesting instead, that the US regarded dollar weakness as a problem for the global community. Upward pressure on the yen and D-Mark will stimulate US exports in the short run but could undermine recovery in Europe and Japan.

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# Yeltsin signs plan to bring Russia back into Europe

- **Investment and business.** The pact removes obstacles to the free



tations concerned the Russian banking sector. After much huffing and puffing, Moscow has agreed to scrap by 1996 a decree maintaining curbs on foreign banks. Meantime, this law will not apply retrospectively to the five banks already given licences in Russia - Crédit Lyonnais and Générale de Banque of France; Dresdner Bank of

Germany, and the Dutch ING Bank and ABN Amro.

Mr Yeltsin called for trust between the EU and Russia and welcomed ever closer political and economic integration inside the Union. Russia intended to press for "more and more integration" in the Commonwealth of Independent states, he said.

It usually takes a while to grasp the chemistry of the EU's negotiating and hostage-taking. And it would be an unusual man who got it right first time.

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**There were unkind comments – and not just from the Greeks – that President Yeltsin had**



## Germany and UK press for free markets

By Lionel Barber in Corfu

Germany yesterday joined forces with the UK to press the case for deregulation and flexible labour markets in the European Union.

The UK-German alliance at the Corfu summit received measured support from Mr Silvio Berlusconi, the new Italian prime minister.

Mr Berlusconi called for less law-making from Brussels, though he told Mr John Major, Britain's prime minister, at a breakfast meeting, that he did not support Britain's opt-out of the social chapter of the Maastricht treaty.

EU leaders - joined by their finance ministers - discussed the European economy in their afternoon session against the background of an incipient recovery but no sign of a halt to the rise in unemployment.

Top items were the European Commission's White Paper on employment, growth and competitiveness, including progress on starting major infrastructure projects known as trans-European networks, as well as a report on the "new information society" in Europe.

Leaders also discussed the Commission's recommendations on macro-economic guidelines, the framework for the 12 members of the Union to move toward a single European currency, to be joined by Austria, Finland, Sweden, and Norway if they enter the Union as planned next year.

Mr Kenneth Clarke, UK chancellor of the exchequer, praised the macro-economic guidelines, which call for wage restraint, budgetary discipline, and structural reforms of the labour markets to create new jobs and lift burdens on small business.

Mr Clarke supported Germany's request for the establishment of an independent group of businessmen and civil servants to examine whether EU and national legislation is imposing unnecessary

red tape on companies.

Separately, the UK Chancellor made a pitch for faster liberalisation of the European telecommunications industry.

Mr Jacques Delors, president of the Commission, avoided a re-run of last December's clash with finance ministers over funding of the trans-European networks.

He failed then in his bid to win support for greater European Commission borrowing to fund the multi-billion rail and road projects.

However, Mr Delors called for a "firm commitment" to start work on 19 "priority" infrastructure projects.

These include 11 transport projects such as the Channel tunnel link in the UK; a high-speed rail and road link through the Brenner pass linking Italy, Austria and Germany; and an eastern EU high-speed train between Paris and Strasbourg, plus a line joining Munich, Leipzig and Berlin.

In addition, there are eight multi-billion Euro energy projects including an underwater cable link between eastern and western Denmark; an underwater electricity cable between Italy and Greece; and a natural gas line between Spain and Portugal, with energy supplied from Algeria.

Aides to Mr Delors said the Commission president was most anxious to start work on the trans-European networks. If the so-called "financing gap" materialised, then the Commission would be in a strong position to lobby for extra borrowing powers.

British officials called for an in-depth analysis of the 19 projects.

There was no obvious shortage of capital for the networks, given the lead role of the European Investment Bank, private capital and the newly established European Investment Fund.

"If there are obstacles, they are of an administrative, legislative or planning nature," said one UK official.

## Kohl surges ahead of German election rival

By Quentin Peel in Bonn

Chancellor Helmut Kohl's Christian Democratic Union (CDU) has moved four points clear of its election rival, Mr Rudolf Scharping's Social Democratic Party (SPD), in the latest German opinion poll, for the first time in three years.

The two percentage point gain for the CDU and its Bavarian sister party, the Christian Social Union (CSU), comes just four months before the general election in October, and confirms the trend in the recent European elections.

At the same time, two polls showed a growing lead for Mr Kohl in the personal popularity stakes, reversing the consistent trend of recent months.

However, the latest forecasts

do not show any clear majority for either a left-wing or right-wing coalition in the general election, due on October 15, leaving the final outcome still very much in doubt.

The results of the Politbarometer poll, published last night by ZDF television, give Mr Kohl's CDU/CSU 40 per cent support if there were national elections tomorrow, compared with 36 per cent - down three points - for the SPD.

The very sharp reversal undoubtedly reflects voters' perceptions after the European poll on June 12, but does not include any response to this week's SPD party conference, which could see some recovery in the party's fortunes.

However, it augurs badly for the SPD's hopes of winning the

most seats in tomorrow's election in the eastern state of Saxony-Anhalt, where the party hopes to win power from the CDU.

As far as personal popularity is concerned, both Politbarometer, and a separate poll by the Forsa institute in the weekly newspaper, Die Woche, put Mr Kohl well in front of Mr Scharping. The former gives the chancellor 48 per cent support, compared to 41 per cent for his challenger, reversing the 40:51 per cent position in May.

Die Woche's poll gives Mr Kohl 42 per cent and Mr Scharping only 26 per cent, in response to the question: "Whom would you elect directly as chancellor?" Party loses footing, Page 9

## Exports pick up as inflation fall continues

By Christopher Parkes in Frankfurt

West German inflation is continuing its slow decline as industrial output and exports pick up speed, according to official figures published yesterday.

Consumer prices in the most populous state, North Rhine-Westphalia, rose at an annual rate of 2.3 per cent in the month to mid-June, compared with 2.9 per cent in May. The month-on-month rate of 0.2 per cent has been unchanged since June.

Similar trends were also reported in Baden-Württemberg and Hesse, with year-on-year increases of 3.1 per cent and with monthly rises of 0.3 per cent and 0.2 per cent respectively.

The sluggish trend is widely expected to remain broadly

unchanged until September or October, when the annual inflation rate is expected to dip towards 2.5 per cent.

Economists said yesterday's preliminary figures supported their forecast of an overall annual rate for June of 2.9 per cent, compared with 3 per cent in May.

Meanwhile, the automotive and steel industries reported rising output and federal statistics office figures showed visible exports continuing to rise strongly.

The VDA vehicle makers' group said May passenger car production was 15 per cent higher than a year earlier and exports were up 13 per cent. Adjusted for the extra working day this year, the increases were 9 per cent and 7 per cent.

New car orders in May were also higher than in 1993, while demand for commercial

vehicles was starting to recover, the VDA said. Production of trucks up to six tonnes during the month was 9 per cent higher than a year earlier, although output for the first five months was still down 1 per cent.

The improvements were reflected in an 18 per cent increase in rolled steel production during the month.

Although pan-German total visible exports and imports fell 9.4 per cent and 10.5 per cent respectively during April, the statistics office noted there were four fewer working days than in March.

On an annual comparison, exports rose 8.6 per cent and imports were 1.2 per cent lower.

The trade balance surplus of DM4.6bn (2.43bn), unchanged on the month, was well up on the DM1.2bn recorded in April, 1993.

Imports are expected to remain weak as domestic demand remains constrained by lower disposable incomes but foreign orders for German goods are still increasing sharply.



The new Airbus 300-600 cargo aircraft, the biggest of its kind in the world and known as the Super-Goupil, emerges from its hangar at Toulouse in France. It is due to fly in September. Picture AP

## Minister quits in Portugal

By Jimmy Burns in London, Peter Wise in Lisbon and Emma Tucker in Brussels

Portugal's junior minister for employment and training, Mr António Pinto Cardoso, has resigned after the attorney-general's office began an investigation into allegations of his involvement in the suspected misuse of European Social Fund money.

The minister's resignation is an embarrassment for the centre-right government of Mr Aníbal Cavaco Silva, which prides itself on a reasonably honest record in using EU funds. It will also fuel controversy over alleged corruption in the use of social fund money.

Mr Pinto Cardoso said in a statement that he had not been accused of any wrongdoing but was resigning to protect the good name of the government and to help investigators discover the truth.

A Portuguese newspaper said yesterday officials were investigating a E126m (504,000) subsidy awarded by the employment ministry for the launch of a magazine publishing ESF-funded training courses. The report alleged that the subsidy was made

from Portuguese government and ESF funds, with Mr Pinto Cardoso's knowledge but without approval by the European Commission.

The attorney-general, Mr José Cunha Rodrigues, and the head of Portugal's judiciary police, Mr Mário Mendes, on Thursday briefed a parliamentary commission on the progress of investigations into several cases of alleged misuse of ESF funds.

Mr Cunha Rodrigues said afterwards that he expected several important cases to come to court by the end of 1994. Officials are investigating more than 400 cases of alleged misuse of ESF funds. So far, only 21 have reached the courts. Investigators complain of a lack of resources.

Controversy over spending of ESF funds for training has been simmering for several years. Allegations of misuse of funds were the subject of an inconclusive parliamentary inquiry in Portugal last year.

The European Commission said yesterday it had not given its agreement to finance the project in question and had not transferred the money to the Portuguese authorities. "We will investigate further," said a commission spokeswoman.

## Deadline for labour in Italy

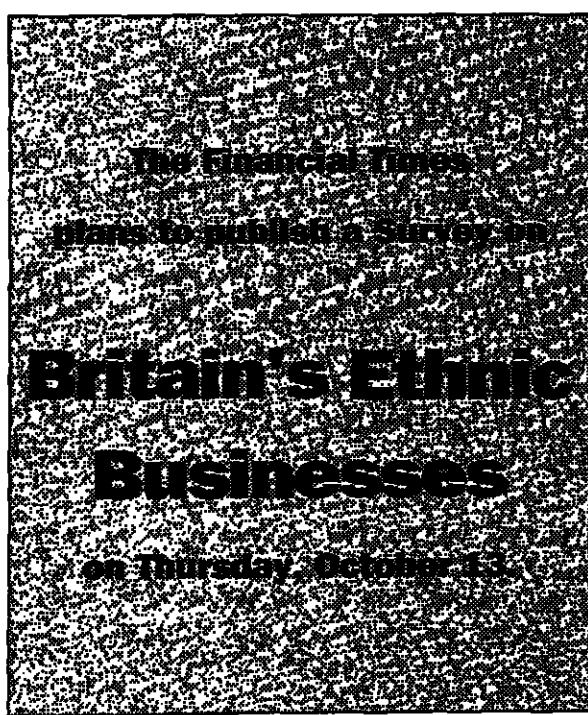
The new Italian government yesterday set unions a deadline to agree on labour market reforms which would make it easier to hire and fire people, Ruter reports from Rome.

Mr Pietro Lari, head of the UIL, one of the country's three national union confederations said Mr Clemente Mastella, labour minister, told them that the government would put legislation to parliament by the end of next month, with or without their consent.

Mr Silvio Berlusconi, the prime minister, who promised on taking office last month to create 1m jobs in the next two years, wants to make it easier for employers to take on temporary and part-time workers. Companies would also be able to offer rates of pay below union minimums to young employees and the long-term unemployed.

However, unions fear that the new rules could let unscrupulous companies replace existing workers with lower-paid labour.

Unemployment is running at about 11.5 per cent of Italy's 22m workforce, and union power has been diminished since the 1980s.



The survey will report on the important contribution made to the economy by ethnic minority businesses in the United Kingdom. It will examine how their future prospects will be affected by competition at home and from abroad, and how they are responding to the challenge of economic revival in the UK.

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FT Surveys

## Russian budget given go-ahead

By John Lloyd in Moscow

The Russian budget for 1994 passed both houses of parliament yesterday - with leading members of parliament openly derisive of its feasibility and government officials admitting revenue was dropping and would drop further.

Deputies in both houses appear to have agreed to pass the budget to give the government a legislative base for spending - and to avoid being bogged down in exhaustive debates on the 500 amendments proposed. Mr Nikolai Gonchar, chairman of the budget committee in the upper house, said the budget's targets could not be met but some budget was better than none.

Mr Yegor Gaidar, leader of the main liberal party, Russia's Choice, told the Interfax news agency that the spending and revenue estimates were "totally unrealistic" - though his faction voted it through.

Mr Sergei Aleksashenko, deputy finance minister, said tax revenue was more than Rb8,000bn (2.8bn) down in the first part of the year and would drop further in the second - though other estimates put the shortfall much higher.

Military expenditure, the focus of the biggest struggle

for increases, has been set at Rb40,000bn - up by Rb2,500bn from the original figure but well below the Rb55,000bn the military say is essential to maintain basic effectiveness.

Figures produced by the government show that the Rb40,000bn would include Rb23,100bn for basic military financing, Rb8,500bn for arms purchases, Rb4,800bn for capital construction, Rb2,500bn for scientific research and testing, and Rb1,900bn for pensions.

Anti-corruption crusader Alexander Lukashenko scored an upset victory over the prime minister in the first round of presidential elections in Belarus, sending shock waves through the former Soviet republic, Ruter reports from Minsk.

Unofficial returns gave 45.1 per cent of Thursday's vote to Mr Lukashenko, who drew big crowds with speeches pledging to drive bribe-takers from office. Fifty per cent was needed for first-round victory.

Prime Minister Vyacheslav Kebich, who focused his campaign on a monetary union with Russia, was in second place with 17.4 per cent. The two leaders face a run-off poll in two weeks.

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## NEWS: INTERNATIONAL

## Beijing and London near HK airport accord

By Simon Holberton in Hong Kong

An extraordinary week of Sino-British negotiations over Hong Kong's future was capped yesterday when leaders of the British and Chinese teams instructed subordinates to prepare a draft agreement on the financing of the colony's multi-billion dollar airport.

The UK and China have been arguing about how to finance the HK\$15bn (£13.3bn) project for the past two years. Yesterday's comments amounted to the most positive

sign to date that an agreement is in the offing.

The intensive negotiations come ahead of the Hong Kong's Legislative Council's vote next Wednesday on Governor Chris Patten's democracy legislation.

Mr Hugh Davies, Britain's senior representative to the Joint Liaison Group (JLG), which oversees the transfer of sovereignty, said he hoped an agreement could be reached by Thursday or earlier. On Friday the Hong Kong government plans to ask the Legislative Council

(LegCo) for HK\$15bn to start work on construction of the airport terminal and runway.

Mr Guo Pengmin, his Chinese counterpart, said the two had decided to entrust to experts the writing of "a draft agreement of the important points for representatives of the two sides to sign, making an agreement between the two sides."

There was optimism in the UK camp that the two would reach an agreement. "I think we will get there in the end," an official said, "but we have gone into drafting and this

takes time." The UK wants a detailed statement as possible, while China prefers to keep it general, and officials concede that that provides plenty of room for cavilling. In particular, the UK wants a deal which bankers will lend against and this will require "clear evidence of China's support" for the project.

The airport and its connecting railway will cost about HK\$88bn, HK\$23bn of which has to be borrowed in international markets. To satisfy China's concerns the agreement is also likely to contain a

limitation on the aggregate borrowings of the corporations building the airport and its railway as well as enhanced oversight of the project's cost effectiveness.

No one is sure how long the drafting of the agreement will take although some officials suggested it could take longer than usual.

Drafting of the airport agreement is proceeding in parallel with attempts to bridge the gap dividing the UK and China on the issue of military land in Hong Kong. In a surprise move on Thursday the JLG

was suspended to allow experts to thrash out details of an agreement.

The UK has already conceded that the People's Liberation Army will be stationed in Hong Kong's business district and has agreed to build the Chinese navy a new port on Stonecutters Island in Victoria harbour.

The Hong Kong government will pay for work - estimated at HK\$3.5bn - done on these facilities before 1997. But because the UK is unable to guarantee that LegCo will approve this sum China has asked London to indemnify the work.

## California to vote on illegal immigrants

By Jeremy Kahn in Washington

Illegal immigrants in California will be denied public education, healthcare and other social programmes if the state passes an initiative which won enough signatures this week to be placed on the ballot in November.

The vote could serve as a bellwether in other states, such as Florida and New York, which also have a large number of illegal aliens.

California state officials confirmed that backers of the proposal - dubbed the "Save Our State" initiative - collected the more than 600,000 signatures necessary to put the issue to a state-wide vote this autumn.

The vote is shaping up to be a divisive political issue. Mr Pete Wilson, California's incumbent Republican governor, running for re-election but behind in the polls, endorsed the initiative last week.

Mr Wilson's Democrat opponent, Ms Kathleen Brown, opposes the proposal, as do a number of prominent civil rights and Latino groups.

These critics have labelled the initiative discriminatory and racist as it primarily targets Hispanic and Asian minorities. They have promised to challenge the proposal on constitutional grounds if it passes.

Backers count among their ranks several current and former immigration officials, including Mr Alan Nelson, who ran the US Immigration and Naturalisation Service under the Reagan administration.

Proponents say California's public education, housing, health and social programmes are already stretched as illegal aliens are entering the state at a rate of 2,000 a week. The initiative would ease pressure on California's budget.

It would also require police, teachers and healthcare workers to report suspected illegal immigrants to federal authorities.

## Japanese trade surplus 'key to currency flux'

By Gerard Baker in Tokyo

Economic fundamentals are the most important factor for exchange rate levels and will have to be addressed if the rise in the yen is to be halted, Mr Yasushi Mieno, governor of the Bank of Japan, said yesterday.

Market intervention alone could not guide exchange rates to desired levels, he added.

At a speech at the National Press Club, Mr Mieno said Japan's huge trade surplus often surfaced as a key factor behind the yen's rise and measures to correct it were "the most important" in dealing with currency problems.

Confusion over his remarks sent the dollar tumbling towards the ¥100 level early yesterday in Tokyo before European and US markets opened.

The governor's remarks were interpreted by currency traders as casting doubt on the effectiveness of central bank intervention to halt the yen's rise, and an admission that the bank's action to support the dollar had failed.

Later, however, a Bank of Japan official said the markets had misinterpreted the governor's remarks. Mr Mieno had said intervention was effective in stemming the dollar's fall

but it could not guide currencies to precise levels.

In his speech, the governor said there were some benefits from the rising yen - it would help promote industrial restructuring as companies were confronted by the need to become more internationally competitive.

He again expressed optimism about prospects for economic recovery, citing recent sharp increases in exports and personal spending. But he warned that corporate investment would remain sluggish as companies continued to adjust to over-accumulation of capital in the late 1980s.



A young boy salutes (above) as he stands beside a UN soldier overseeing the unloading of food aid in the Rwandan capital Kigali, which rebels yesterday attacked. Reuter reports from Kigali.

Their mortars hit the Red Cross hospital and public market, causing dozens of casualties.

Meanwhile, in government-held western Rwanda, French troops on a peacekeeping mission reached the north-western town of Gisenyi after several reconnaissance missions around the town of Cyangugu in the south-west.

A first unit, entering from Bukavu in eastern Zaire, spent the night outside the refugee camp of Nyarushishi near Cyangugu, checking conditions of the

estimated 3,000 Tutsi refugees sheltering in fear of massacre at the hands of Hutu militiamen.

The first mission to an area where Tutsi refugees are in a majority was apparently intended to show that France's Operation Turquoise would be impartial despite past support for the Hutu government.

The commander of the operation, Brigadier Jean-Claude Lafourcade, told reporters as he left Paris for Zaire he was determined to use force if necessary to protect refugees from massacres which have claimed half a million victims since April. "My mandate allows me to use force to protect civilians and I shall use it," he said.

He expected his opponents to be disorganised gangs hunting refugees and not the Tutsi-led Rwandan Patriotic Front (RPF). The rebels had threatened to oppose the controversial United Nations-backed operation, fearing that France would use it to back the Hutu-led government.

Paris, which launched the operation single-handedly because of lukewarm international backing, has been at pains to make clear it will not take sides in the civil war.

In Geneva, the United Nations High Commissioner for Refugees backed the French intervention and said it was bracing for a fresh exodus of up to 500,000 people.

## N-fuel scheme faces cuts

By Emilio Teraszono in Tokyo

The Japanese government is likely to cut back its ambitious nuclear fuel programme following an advisory panel's call yesterday for a delay in projects involving plutonium.

Their report, which is a basis for the government's long-term nuclear energy policy, follows growing domestic and international concern over Japan's surplus of plutonium, a highly toxic fuel that can be used for nuclear weapons.

Japan's nuclear recycling programme was adopted in the 1950s when plutonium was regarded as a "dream fuel".

The country's first prototype

fast-breeder, named Monju and based on the west coast, began a self-sustaining reaction last month, using plutonium produced at processing plants in Britain and France. Japan's first reprocessing plant, in northern Japan, is due to start operating at the end of the decade.

Until recently Japan has resisted calls from domestic and international environmental groups for curbs on its programme. However, mounting accusations that Japan intended to build nuclear weapons increased government anxiety.

While the report calls only for a delay in various projects

linked to plutonium use, and not cancellation, it is a severe blow to the country's nuclear lobby.

The report proposes:

● Postponement of the decision to build a second nuclear fuel reprocessing plant until the year 2010, instead of launching the plant that year.

● Moving back the target date for when plutonium fast breeders will be put to commercial use by 10 years to 2030;

● Postponement of construction of the first demonstration fast breeder reactor to early next century;

● Delay to plans to construct more than 20 light-water reactors by 2010 by about 20 years.

## Go-ahead likely for European atom-smasher

By Clive Cookson, Science Editor

Europe is on the brink of building the world's most powerful atom-smasher.

The Council of Cern, the European particle physics laboratory near Geneva, yesterday voiced strong support for going ahead with the Large Hadron Collider, which will hurl atomic nuclei together at close to the speed of light. The LHC will recreate the conditions existing a millionth of a millionth of a second after the Big Bang that created our universe.

Two of the 19 Cern members, the UK and Germany, blocked the final go-ahead as they were not satisfied with the financial arrangements for the SF2.6bn (£1.2bn) project. They want France and Switzerland - the countries that would derive most economic benefit from Cern, as host states - to provide extra funds.

But council delegates expressed confidence that the budgetary issues could be settled quickly and the LHC finally approved later this summer.

Mr Hubert Curien, Cern's chairman, said the French and Swiss governments had given "very encouraging" signs that they would increase their support.

Cern members also expect non-European countries - notably the US, Japan, Russia, Canada and India - to make substantial contributions, in return for their scientists working on LHC experiments.

After the cancellation last October of the planned \$11bn (£7.2bn) US Superconducting Super Collider (SSC) in Texas, Cern has emerged as the undisputed global centre for high-energy physics.

Ms Hazel O'Leary, US energy secretary, is expected to propose measures to Congress early next month for mitigating the effects of the SSC cancellation on US physicists, through increased international collaboration.

Cern officials believe that the US could contribute several hundred million dollars to the LHC.

There are two reasons why the LHC would be much cheaper than the SSC. First, it will be squeezed into an existing tunnel - a ring 27km in diameter beneath the Jura foothills - that was built in the 1980s for Cern's current accelerator, LEP. A new 87km tunnel was being dug for the SSC.

Second, the LHC will be less powerful than the SSC would have been.

However, it will pack several times more energy into its collisions than LEP or the atom-smashers currently operating in the US - enough, scientists say, to discover several fundamental facts about the forces and particles that determine the nature of the universe.

The LHC's most important single job will be to provide evidence to clear up the mystery of mass - what gives fundamental particles their mass and why some weigh so much more than others.

## Venezuelans warned of economic controls

The Venezuelan government is close to adopting "harsh measures" to deal with critical economic, financial and monetary problems, Mr Julio Sosa, minister of finance, told congressmen, writes Joseph Mann in Caracas.

Mr Sosa, the leading economic adviser to President Rafael Caldera, did not specify what these measures would be

but he indicated the administration could declare a "state of economic emergency". This would give the executive branch the power to dictate extraordinary economic and financial measures to confront an economic crisis.

Many Venezuelans, alarmed by a deteriorating economy, expect the government to take steps soon to impose price controls on basic consumer goods.

## NEWS IN BRIEF

## Mexico banker's ransom agreed

The lawyer of Mr Alfredo Harp Helú, the kidnapped Mexican financier, said on television that his ransom would be paid, paving the way for the release of one of the country's wealthiest men, writes Damien Fraser in Mexico City.

Mr Harp, the joint head of Banamex-Accival, the country's largest bank, was seized in March. His kidnapping has been given enormous publicity, with his abductors sending the press a series of emotional letters from the financier to his family and partners in which he pleaded for his life. The lawyer made the statement on Mexico's main television news programme, accompanied by Mr Harp's son, and a representative of the Catholic church, as demanded by the kidnappers.

The kidnappers said in their latest communiqué that the ransom demand had been dropped to less than \$30m (£19.7m). Mr Harp's lawyer agreed to pay an unspecified amount, and not to involve the police.

The kidnappers have promised to release Mr Harp three days after receiving the ransom.

## Bond faces art-fraud charges

Mr Alan Bond, the bankrupt Australian businessman, has lost his application to delay the art fraud court case being brought against him, on grounds of ill-health. The case concerns four art fraud charges relating to the multi-million dollar acquisition and sale of La Fromagerie, a French Impressionist painting, while Mr Bond was a director of Bond Corporation in the 1980s, writes Nikki Tait in Sydney.

Mr Bond's lawyers, who had asked for a six-month adjournment, claimed that Mr Bond was suffering from depression and brain damage following open-heart surgery, and was not well enough to instruct solicitors. But Mr Ivan Brown, a Perth-based magistrate, said yesterday that Mr Bond had chosen to spend his time conducting business transactions, rather than preparing for the fraud proceedings, and ruled that the case should proceed as planned on July 18.

## Cash pledge for Aral Sea

International donors yesterday pledged \$31.4m (£20.6m) to study ways to stop the Aral Sea in central Asia drying up. It used to be the world's largest fresh water lake before shrinking over the past 30 years to half its original size of 680,000 sq km, David Buchanan reports from Paris.

The money is to fund feasibility studies for a larger \$220m investment programme, designed to try to restore the flow of river water into the lake and to counter environmental damage by stemming the blowing of toxic salts from the exposed seabed on to surrounding towns and cropland.

The cash pledges were made at a meeting in Paris yesterday, chaired by the World Bank, of various governments and international organisations.

## Fiji to review constitution

Fiji is to set up a joint select committee to help review the country's racially-biased constitution, writes Nikki Tait.

The constitution, introduced in 1990 after two military coups by Mr Sitiveni Rabuka, now Fiji's prime minister, ensures that indigenous Fijians have a majority in parliament at the expense of the large Indian population.

The government has promised to set up a commission to review the constitution by 1997. However, Mr Rabuka's commitment to the process has come into question recently, after the prime minister warned that another coup could take place if Fijians continued to feel disadvantaged. His remarks prompted Indian political leaders to boycott parliament for several days.

The move on a joint select committee, announced yesterday, appears to be an effort to allay these fears. One of its tasks will be to advise Fiji's cabinet on the size and membership of the constitutional commission itself.

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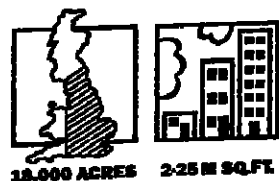
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## NEWS: UK

## Hanson writes to Major on dividends

By Roland Rudd

Lord Hanson, chairman of the Anglo-US conglomerate Hanson, has urged the prime minister in a letter to keep a firm hand on the Treasury's review of dividend taxation. Hanson donated £100,000 to the Conservative party in its last financial year, which ended in September 1993.

He expresses relief in the letter that Mr John Major appears to be taking charge of the study into savings and investment. Lord Hanson recently

accused Mr Stephen Dorrell, Treasury financial secretary, in a letter of "sounding like a socialist" in questioning the wisdom of high dividends. He insisted that the issue of dividends was one for shareholders and their companies alone, and not the government.

Lord Hanson's latest letter has irritated some ministers who support the Treasury's review of savings. "In urging the prime minister, as First Lord of the Treasury, to take charge of the review, Lord Hanson is

interfering in government policy," a minister said. "The Treasury has a good point over dividends and the prime minister will not be put off by Lord Hanson."

Lord Hanson has been encouraged by Mr Major's recent interview in The Daily Telegraph in which he said there was no question of dividend control from a Conservative government. "Dividend control is socialism," the prime minister said. "I'm a Tory; dividend control is a non-starter."

Treasury's room for manoeuvre by dismissing the argument that high dividends prevent capital investment.

Hanson, which is one of the Conservative party's biggest company contributors and has donated more than £800,000 since the Tories came to power in 1979, said it was only being supportive of the prime minister.

Mr Christopher Collins, a director of Hanson, said: "Having seen the prime minister's interview, Lord Hanson wrote a private and friendly letter to say how pleased he was with the

line he took in the dividend issue." The Treasury angered Lord Hanson by suggesting that UK dividend payouts, which have risen significantly during the past decade, may have become too high and inflexible.

Mr Dorrell said the Treasury decided to review savings and investment to see whether the rise in dividends had come about because of the tax structure set by the government. "After 15 years of deregulation, there's no question of us regulating dividends," Mr Dorrell said.

## £667m current account deficit surprises City

By Philip Coggan, Economics Correspondent

The UK's current account deficit in the first quarter of this year was just £667m - its best performance for seven years, the Central Statistical Office said.

The main reason for the improvement was that the trade balance surplus rose sharply to £2.4bn, its highest level since the first quarter of 1987.

However, part of the improvement was due to a rise in net investment income, a statistic which is particularly volatile. The CSO said that net investment income in the first quarter amounted to £2.01bn, the highest ever figure, compared with £1.13bn in the previous three months.

In particular, the financial sector increased its overseas earnings while the UK savings of foreign banks fell sharply.

There were also improvements in the other trade components. The deficit on visible trade fell slightly to £3.07bn, from £3.56bn in the fourth quarter of last year. The value of exports was 2.5 per cent higher than in the previous quarter, while imports rose by just 1 per cent.

The surplus on services increased to £1.63bn, from £1.47bn in the fourth quarter of last year. However, the UK continued to have a deficit on

travel, which amounted to £883m in the first quarter.

Analysts welcomed the current account figures, which were much better than expected, but expressed caution about the quality of the data. "The likelihood must be that future revisions will be adverse," said Mr Ian Shepherdson, UK economist at Midland Global Markets. "Nevertheless, there is a huge cushion even if revisions are big."

According to the CSO, the UK's balance sheet improved substantially over the quarter. Net external assets were £42.1bn at the end of March, compared with £22.7bn at the end of December 1993.

The figures also show that UK banks and financial institutions made substantial disposals of overseas securities in the first quarter, largely in response to the high world bond and equity markets.

Banks, having bought £12.7bn of overseas securities in the fourth quarter of last year, sold £3.7bn in the first quarter. Other financial institutions sold £30.9bn of overseas securities in the first quarter, compared with net purchases of £26.9bn in the last three months of 1993.

Meanwhile, overseas residents continued to buy UK shares, to the tune of £13.9bn in the first quarter, compared with £11.5bn in the last three months of 1993.

## Ministers demand early reshuffle

By Kevin Brown and David Owen

The prime minister faces growing pressure from senior ministers to bring his planned cabinet reshuffle forward to next week.

Mr Major is believed to favour postponing the reshuffle until mid-July to minimise the scope for Commons statements by dismissed ministers before the House rises for the summer recess.

However, ministers say that departmental decision-making has been virtually paralysed by uncertainty about the scope and extent of the reshuffle since Mr Major disclosed his intentions at a Downing Street press conference two weeks ago. As reshuffle fever spread at Westminster, MPs pointed to the careful wording of Mr Major's comments - which explicitly ruled out only the following two weeks - as evidence of an impending announcement.

Downing Street officials added to the growing expectations by refusing to rule out a reshuffle next week. However, a senior official was careful to keep open the option of a later date.

There was renewed speculation that Mr Michael Heseltine, the trade and industry secretary, will replace Sir Norman Fowler as Conservative party chairman. Mr Heseltine has made clear that he wants to remain at the trade and industry department, which he believes has suffered from too many changes of senior ministers.

However, he attended a secret meeting of the rightwing No Turning Back group on Thursday at which he is believed to have been pressed to accept the chairmanship in the party interest.

Such an appointment would be popular with rank-and-file MPs, who believe that Mr Heseltine is one of the few cabinet ministers with the political skills to dent the image of Mr Tony Blair, the likely winner of Labour's leadership election.

The government's fear of Mr Blair was underlined by a concerted attack on the shadow home secretary by a raft of cabinet ministers including Mr David Hunt, employment secretary, and Mr John Redwood, Welsh secretary.

Mr Redwood, in an acidic statement distributed at Westminster, said Mr Blair was a "snappy dresser" whose personal manifesto issued on Thursday mixed "the bland and the obvious with the ambiguous".



Edinburgh's Festival Theatre, which opens today with a gala performance after nearly 50 years of campaigning for an opera house in the city. Photograph: The Scotsman

## Opera house sounds note of change

A number of building developments are about to boost Edinburgh's economy, James Buxton writes

When the curtain rises this afternoon on a gala performance of *Tristan und Isolde* at the new Festival Theatre in Edinburgh, the event will have more than theatrical significance.

Nearly half a century after people first began to campaign for it, Edinburgh has finally created an opera house. But its opening is only the most spectacular of a number of developments which will strengthen the city's economy and demonstrate that it has finally shaken off the complacency and self-deprecation that previously obstructed progress.

"There's been a huge change of mood," says Mr David Nicolson, president of the city's chamber of commerce and local managing partner of KPMG Peat Marwick, the accountants. "I've lived here all my life, and what's happening is dramatic."

As well as the new theatre, Edinburgh will next year finish

a long-postponed project to build a £30m conference centre that will seat 1,200 people. This summer a £37m scheme to rebuild and expand Murrayfield rugby stadium will be concluded, largely financed by debentures sold to rugby supporters.

Much of the financial community has moved or is moving into larger new office buildings, filling long-standing gaps near the city centre - but unfortunately leaving the Georgian Charlotte Square half empty. Some are moving from the centre to the city's western fringe, and much of the Scottish Office is moving to former dockland in Leith.

The change in attitude began cautiously in the mid-1980s, with a crucial role being played by Edinburgh District

Council, which came under the control of a group of Labour party pragmatists.

It reversed past opposition to fostering the financial sector, Edinburgh's biggest employer, began issuing planning consents more freely and organised schemes to develop its own considerable land holdings in the city.

Mr Nicolson believes a pivotal role in speeding the city's development has been played by Lothian and Edinburgh Enterprise (LEEL), the local enterprise company formed in 1981 after the break-up of the Scottish Development Agency.

LEEL marshalled the energies of Edinburgh district and Lothian regional councils and applied funds from its substantial budget to push through the difficult projects. "The most

important thing was that LEEL decided that the Festival Theatre and the conference centre were going to happen," says Mr Nicolson. "For years people had always found reasons for not doing them."

LEEL has led the Festival Theatre project, encouraging the district council to purchase the defunct Empire Theatre. This has been converted, at a cost of £22m, into a modern opera house that would have cost £50m to build from scratch and has a stage bigger than Covent Garden's in London.

Other money came from LEEL, public-sector bodies including Lothian region and the Scottish Tourist Board, while the private sector has raised £4m.

Will the theatre succeed, and has Edinburgh really changed?

Lord Younger, former defence secretary and chairman of the Festival Theatre Trust, betrays a slight anxiety when he says: "I'll be fully convinced only when I see Edinburgh people turning out for a performance on a cold mid-winter February night."

Another £2m is needed from private-sector businesses and individual donors - the latter have already contributed more than £700,000. "The list of donors is impressive," says Mr Nicolson, "but if you examine it closely you will see gaps."

While leading Edinburgh businesses such as Royal Bank of Scotland, Bank of Scotland and United Distillers are large contributors, only three of the five Edinburgh-based life assurance companies feature in the list. "I can't understand why some companies are not more supportive when they see the benefits these projects are bringing the city," says Mr Nicolson.

## Sale paves way for out-of-town retail site

By Vanessa Houlder, Property Correspondent

Blueswater Park, a 1,625m sq ft shopping and leisure development at Dartford in Kent, is set to proceed as a result of the sale of the development site to Lend Lease, an Australian property company.

The scheme, which is expected to carry a value of £500m-£600m on completion, is likely to be the last of the giant regional shopping schemes to be built following the government's crackdown on planning permission for out-of-town developments. The conditional

Local planning authorities in England received 123,000 applications for planning permission and other related consents in the first quarter of this year, 5 per cent more than

for the corresponding period in 1993. It is the third successive quarterly increase in planning applications, government figures show.

There were small quarter-

on-quarter increases in applications in all regions except the north-west, where there was a 5 per cent fall. The largest increase - 10 per cent - was in Greater London.

Lake-side, just 10 miles away, which is owned by Capital Shopping Centres. The scheme's promoters say that the river Thames, which runs between the two, will act as a natural divide. Moreover, they believe that demand, thought to embrace 6.5m people within 45 minutes drive time, is enough for both centres.

The government's decision to restrict out-of-town developments in order to protect town centres has made it easier for the Blueswater scheme to attract investors because the policy is likely to add value to schemes that have already won planning permission.

The decision by Blue Circle to sell its 250-acre site for £50m marks a decision that property is not part of its core business. The company, which has 20,000 acres of land surplus to its needs, will make a pre-tax profit of somewhere between £24m and £28m from the development over several years.

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## Fund for job-loss claims rejected

By John Authers

The government yesterday told local authorities it would not set up a compensation scheme for former council employees who lost their jobs under contracting out.

The European Court of Justice ruled this month that these redundancies may have violated European Commission directives.

Councils fear a compensation bill of as much as £400m, with potentially high legal costs. They were outraged

by the government decision. The European Court said British employers had a statutory duty to consult employees when transferring them from one business to another - under 1975 and 1977 directives which had not been incorporated into British law.

It confirmed the right of former local authority employees who had been made redundant to sue for compensation, as the UK had not extended the Transfer of Undertakings (Protection of Employment) regulations - known as TUPE - to the

public sector. TUPE dictates that existing workforces must be transferred on existing pay and conditions when a business is taken over.

Mr Tony Baldry, environment minister, said in a letter to Sir Jeremy Bessham, chairman of the Labour-controlled Association of Metropolitan Authorities: "There is no question of the government setting up a compensation scheme."

He said the only practical implication of the court's judgment related to the "narrow point" on staff consultation. He

added: "It is, of course, open to anyone who believes that they have a case for compensation to pursue this through the legal process, and indeed a number of writs have been served against the government."

Sir Jeremy, who had demanded that the government set up a compensation fund, said: "The government has consistently tried to undermine the impact of European legislation and is now trying to avoid its responsibility to the workers who have lost out."

## EU agrees plan to aid Merseyside

By Ian Hamilton Fazel, Northern Correspondent

A five-point plan to regenerate Merseyside's economy - including subsidised interest rates for small businesses - has been agreed between the UK and the European Union after months of controversy and negotiation.

The plan will be the basis for spending nearly £500m of EU funds resulting from Merseyside's Objective 1 status, which was granted last year. UK public-sector sources will match the sum. The combined

£1.25bn is expected to attract more from the private sector.

Although details still have to be approved by the European Commission next month, the government yesterday published guidelines on the type of projects that might be funded, with details of how applications should be made.

A plan for disbursing the money, with much going on training, was rejected by Brussels in April as vague. The new plan picks five main "drivers" of economic change. These are:

- In the big-company sector projects will relate to preparing and servicing sites for companies and inward investors. Infrastructure spending will also be provided.

- Small and medium-size enterprises will be encouraged to grow, with EU money helping to fund training, services and advice through training and enterprise councils and Business Links. There will be a Merseyside Special Investment Fund, set up by the clearing banks but with EU money used to subsidise interest rates for business loans.

- Knowledge-based industries will be encouraged, with special attention to technology transfer between Merseyside's two universities and industry. One idea is a graduate-retention programme with local industry, to keep more qualified people in the area.

- The arts, cultural and tourism sectors will be encouraged. • Initiatives will concentrate on training and systematic development of human resources. Inner-city and social-problem areas, such as outer suburbs with high unemployment, will be targeted.

DISCOVER A NEW

WILBUR SMITH

Grand mythic material... the set pieces are fabulous in the true sense, and the wider narrative careers along as swimmingly as Isis herself.

TIMES LITERARY SUPPLEMENT

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Shareholders are informed that GT INVESTMENT FUND will pay a dividend of US\$0.04 per share on June 27, 1994 to registered shareholders on record on June 17, 1994. Shares are traded ex-dividend as from June 17, 1994.

The dividend is payable to holders of bearer shares against presentation of coupon no. 7 to the following paying agents:

Bayrische Vereinsbank A.G., Kardinal-Faulhaber-Strasse 1, 80333 München, Germany  
Credito Italiano di Commercio, 66, rue Victorie, 75009 Paris, France  
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The Board of Directors

CHARTER plc

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER  
Notice is hereby given that the annual report and accounts of Charter plc, together with the auditor's report thereon for the year to 31st March 1994, may be obtained from Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Subject to approval by shareholders at the annual general meeting on 27th July 1994, a final dividend of 15.5p per share will be payable on or after 8th August 1994 to persons presenting Coupon No. 2 detached from share warrants to bearer. Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) between 10 am and 3 pm at the Stock Exchange Services Department of Barclays Bank PLC, 168 Fenchurch Street, London, EC3P 3BP, or at Credit Lyonnais, Centre de Valence, 1074 Chemin de Thon, 26000, Valence, France.

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Limits on amount of compensation to investors were illegal

## Ruling to benefit elderly

By Bethan Hutton

Elderly victims of poor financial advice which saddled them with enormous debts are entitled to more compensation, the Court of Appeal ruled yesterday.

The court ruled that the Investors' Compensation Scheme was wrong in using its discretion to limit compensation to investors in home income plans. It may have to pay an extra £20m in addition to the £22.5m compensation it has already paid to more than 1,500 investors.

The ICS is expected to appeal to the House of Lords. It said yesterday the ruling would force it to change from a low-cost, fast, informal compensation scheme to a lengthy and

highly legalistic one, where legal precedents would have to be set for each new type of case and claimants might need legal representation.

"While today's group of investors will benefit, we think ultimately investors will suffer," said Mr David Cresswell of the ICS.

Those affected by the appeal ruling are unlikely to receive additional compensation until all legal channels have been exhausted.

Home income plans were widely sold during the housing boom of the late 1980s. They enabled householders, often elderly, to mortgage their houses and invest the proceeds in income bonds, which were supposed to pay the interest on the mortgage and provide an

additional income. Some plans used roll-up mortgages, which added the interest to the total debt.

A combination of falling house prices, rising interest rates and declining investment returns left many investors, who had not been warned of the risks, with huge debts and no means to pay the interest. Some have lost their homes.

Many of the financial advisers who sold the plans are no longer in business, so investors turned to the ICS for compensation.

Yesterday's ruling was on an appeal brought by lawyers Barnett Simpson, on behalf of two representative investors. It covered three main points:

• Whether the ICS had discre-

tion to refuse compensation to what it considered fair.

• Whether the ICS could deduct from the compensation any money received from the plan and spent by the plaintiffs.

• Whether the ICS could lawfully limit compensation for solicitors' and accountants' fees to £500.

The Court of Appeal ruled against the ICS on all three points.

The judgment's wider implications are that it requires the ICS to take all relevant factors into account for each case, in the same way that a court would. The ICS would no longer have discretion to set a formula for compensation. It set limits other than its standard overall limit of £46,000.

## Warning of split after win by Blair

By Kevin Brown, Political Correspondent

Labour faces an inevitable split if Mr Tony Blair, the party's leading moderniser, wins the leadership election, leftwing MPs warned yesterday.

Most leftwingers privately accept that Mr Blair, the shadow home secretary, will win the election, in spite of deep misgivings about his modernising approach.

They said Mr Blair was unlikely to face problems from the left in the short-term because of the overwhelming support emerging for him on the centre and right of the party.

But influential members of the hard-left Campaign group said his "social democratic agenda" would lead to a "huge internal conflict" with the left and the unions in the first year of a Labour government.

"He will win because people will agree that he is the prettiest of the pack and that he can get Labour into Downing Street," one leading Campaign group member said.

"But once he is in office the people in the press who have created him will not be seen within a million miles of him, and he will be in really deep trouble."

"After a year of Labour government the public will be demanding something different, and they will measure the success of the government in terms of jobs and growth."

"If Mr Blair is still talking about community values and saying that we cannot have full employment because of Gatt or the European Union, people will turn on him and blow him apart."

More moderate leftwing



Victory fears: Tony Blair causes concern to leftwing MPs

members of the Tribune group said they were worried by the "fuzzy" personal manifesto for the leadership published by Mr Blair on Thursday.

They voiced concerns about his failure to set out a clear economic programme, his lack of support for public sector unions, and his statement that the market economy was "in the public interest".

Mr Peter Hain, MP for Neath, said there was "a very big question mark over our ability to win while appearing to be all things to all people."

Tribune, the leftwing newspaper, said Mr Blair's modernising policies appeared designed to "linker at the sidelines" of the economy, it called for "bold" policies to transform Britain.

## Legal review granted on dam

By James Eiltz

A leading UK pressure group yesterday won the first round in a legal battle to halt Britain's funding of Malaysia's Pergau dam project.

The World Development Movement, a pressure group on Third World issues, was granted its application for a judicial review of the decision by Mr Douglas Hurd, the foreign secretary, to fund the project.

The group is calling for the review on the grounds that the offer of £330m for the dam broke British law, which states that aid money can only be spent on beneficial economic projects.

Lawyers for the group are also pressing the High Court to block the £300m that is yet to be paid to the Malaysian government under the agreement signed by Mr Hurd.

Mr Ben Jackson, the campaign co-ordinator, said the decision by Mr Justice Auld to grant the application was "a major victory" for his movement.

Mr Hurd's lawyers did not oppose the granting of leave for the application. But his counsel, Mr Stephen Richards, said the full hearing later this year would be contested "with vigour".

The High Court decision threatens to re-open the row over the funding of the Pergau dam at a time when the UK is anxious to restore trade relations with Malaysia.

Much of the controversy over the project earlier this year was focused on whether the government had broken its own guidelines in 1988 by linking the offer of aid to a defence deal worth about £1bn. Mr Hurd has admitted there was a "temporary entanglement" between the two deals but that they were both pursued separately.

The World Development Movement is challenging Mr Hurd on the broader point that his decision in 1991 to fund the project broke the Overseas Development and Co-operation Act.

Mr Nigel Fleming QC, for the group, said that, under the act, aid could be given only "for the purpose of promoting the development or maintaining the economy of a country or the welfare of its people."

Mr Hurd had been informed by his officials that the project was uneconomic. Sir Tim Lankerster, the former permanent secretary at the Overseas Development Administration, told the foreign secretary that the dam was an "abuse of the aid programme", but was overruled by Mr Hurd on the basis of "wider considerations".

The group acknowledged that because it is not a charity, it would need substantial donations from the public to proceed with the case.

## Heseltine ready for postal sell-off

Mr Michael Heseltine, trade and industry secretary, has resolved his differences with the prime minister over the drafting of the green paper on the future of the Post Office, now expected to be published next week, Roland Rudd writes.

Mr John Major rejected the first draft, believing Mr Heseltine had not given sufficient weight to the option of leaving the Post Office completely in the public domain.

However, the Department of Trade and Industry believes its preferred option of selling 51 per cent of shares in Royal Mail and Parcelforce is still given prominence over the other two options.

These are to make the Post Office more commercialised within the public sector or to sell 49 per cent of the shares in Royal Mail and Parcelforce. Mr Heseltine wants 10 per cent of the shares reserved for the workforce, the maximum number allowed under stock exchange rules.

## Unofficial mail dispute spreads

Postal services may be disrupted in many areas today after an unofficial strike by postal workers which escalated from a local dispute over staffing.

Mount Pleasant, the biggest sorting office in London, was hit by the walkout, as were offices in Romford, Dagenham and Ilford, in Essex, Dunstable and Bedford - and Milton Keynes, where the dispute began earlier this week.

The Royal Mail said yesterday that it may take proceedings against the UCW communications union following an injunction against it requiring it not to take industrial action.

## Firefighter strike vote overwhelming

Firefighters on Merseyside yesterday voted overwhelmingly to strike in a dispute over new conditions and allowances.

In a ballot the 1,500 firefighters - already on 999-duty only - voted 84.1 per cent in favour of a series of one-hour all-out strikes.

Mr Ken Cameron, the Fire Brigade Union general secretary, hopes to address the annual meeting of the Fire Authority on Monday to avert the action.

## Football club gets seating extension

Newcastle United will be the only English Premier League club where some fans will stand on terraces next season.

Mr Peter Brooke, national heritage secretary, said yesterday that he had given a year's extension to Newcastle United after it "presented a sufficiently exceptional case".

But he confirmed his earlier decision not to grant extra time to Barnsley, Chelsea, Manchester City, Oldham or Swindon.

All premier league and first division clubs were given until this summer to convert their stadiums to all-seater following the 1989 Hillsborough disaster.

## Farm wages victory

Some 20,000 part-time women agricultural workers have won a concession from the Agricultural Wages Board that they should qualify for parity on pay and conditions with full-time agricultural workers, the TGWU general union said yesterday.

## Lords slam £4m legal aid for businessman

By Robert Ficca, Legal Correspondent

The government may change the legal aid rules after the revelation that a wealthy businessman has received more than £4m in legal aid to fight an embezzlement action brought by his former employers, the Arab Monetary Fund.

Dr Jawid Hashim, a former president of Middle East-based AMF, is being sued for £38m he allegedly siphoned off from the fund into private Swiss bank accounts.

The disclosure in the Lords on Thursday by Lord Rodger of Earlsferry, the Lord Advocate, that Dr Hashim's legal battles with the AMF had so far cost the British taxpayer £4.01m in

legal aid, caused outrage among peers. They demanded to know how someone who owns six luxury homes around the world can be eligible for legal aid.

The Legal Aid Board said it could not talk about the specifics of Dr Hashim's case, but that it might recover some or all of the money if Dr Hashim won the action. In general, anyone is entitled to legal aid regardless of nationality if they are a party to proceedings in a British court, it said.

But to get legal aid an applicant must be financially eligible and must satisfy the board that he has a reasonable legal case. Eligibility is determined by the Benefits Agency, which will investigate an applicant's

means. Normally someone with Dr Hashim's assets would not qualify for aid. But the agency must disregard assets if they are being claimed by the other party in the proceedings.

As the AMF is claiming £38m from Dr Hashim, the agency could disregard assets up to that amount in assessing his means. Also if a person's assets have been frozen by a court the agency cannot take them into account. An injunction freezing the assets of Dr Hashim and his wife was granted to the AMF at the start of the case.

The Lord Chancellor's department said the issue of whether people in Dr Hashim's position should be eligible for legal aid was under review.

## Sinn Féin considers ceasefire

By Tim Coome in Dublin

Sinn Féin, the political wing of the IRA, says that almost 40 per cent of submissions made to its Peace Commission, which held public hearings earlier this year, believed that it should encourage the IRA to call a unilateral ceasefire.

Publishing a report on the commission's findings in Dublin yesterday, Mr Pat Doherty, Sinn Féin vice-president, said: "We will have to take on board the views of people who spoke to us... it would have an influence on our thinking... as to how we should proceed in the weeks and months ahead."

He said Sinn Féin would make a detailed response to the Downing Street declaration before the end of next month, probably before the proposed Anglo-Irish summit. A document had already been drafted

by the party's national executive, he said, which must be discussed with party members first. "But this will not unduly delay our response," he said.

The report published yesterday is a summary of the 280 submissions made to the commission from across Northern Ireland and the Republic during five hearings held between January and March.

It does not make any specific

establishment of the structure for the removal of the union which joint authority would impose."

In negotiations with Dublin, Britain is understood to have rejected any suggestion that new north-south institutions could imply joint authority. But it is prepared to sanction cross-border executive boards to oversee a common approach in some areas.

recommendations, but it does highlight two key points which are likely to be central to Sinn Féin's response to the Downing Street declaration, namely the so-called "Unionist veto" and the issue of demilitarisation.

The report notes: "A huge range of submissions felt... that the declaration had fudged the issue of self-determination" and says that "the need to remove the veto"

should be subject to "further debate and discussion".

Mr Doherty insisted that majority consent in Northern Ireland to constitutional change, as embodied in the declaration, was distinct from the Unionist veto. But when pressed to clarify he said: "The Irish nation is bigger than the Unionist population... consent means (Unionist) involvement and maybe even more than that, but there cannot be a veto."

He said Sinn Féin was also looking for a means to achieve "a total demilitarisation of the conflict" in Northern Ireland, rather than focusing on just one aspect of it, namely the IRA.

Sinn Féin thus appears to be moving towards proposing an extended IRA ceasefire, as opposed to a total cessation of violence as demanded by the two governments.

## PM and Reynolds upbeat on Ulster

By Philip Stephens, Political Editor, in Corfu

The British and Irish prime ministers last night reported solid progress towards an agreement next month on the framework for a new political settlement in Northern Ireland.

After talks at the European Union summit in Corfu, Mr Albert Reynolds and Mr John Major offered an upbeat assessment that the outline account would be agreed at a summit pencilled in for around July 20.

Officials said the leaders had still to resolve differences over the language in the statement on the proposed amendment of Dublin's constitutional claim to Northern Ireland and on the establishment of new institutions to enhance north-south co-operation.

But Mr Reynolds appeared to back away from comments earlier this week that he was insisting the new cross-border institutions should have "executive powers".

He left open the possibility that the precise powers of new all-Ireland boards to co-ordinate policy in transport, energy, tourism and communications could be defined in talks between Ulster's constitutional parties.

British officials also sought to calm Unionist concerns about the plans by stressing that Dublin was not seeking "joint responsibility" in such areas.

Mr Reynolds hinted that the two governments must also settle the details of a proposed new assembly in Northern Ireland.

## Fund management group fined over foreign trips

By Norma Cohen, Investments Correspondent

Abbey Unit Trust Managers, the unit trust fund management arm of Abbey Life, improperly allowed its fund managers to travel to the US and Far East on trips paid for by commissions generated in trades with stockbrokers, regulators said yesterday.

Imro, the self-regulating body for the fund management industry, has fined AUTM £10,000 and ordered it to pay £8,000 in costs following an investigation into its "soft commission" arrangements.

Mr Paul Leband, director of AUTM and a director of

Abbey's fund management company, said that seven fund managers had accepted £50,000 of free travel and accommodation to the US and the Far East between November 1991 and October 1993. The travel was paid for by two stockbroking firms, one American and one Far Eastern, through which the fund managers regularly placed commission-generating trades.

Mr Leband said that AUTM had "misunderstood" the rules relating to soft commissions.

Soft commissions are services which stockbrokers provide to fund managers at no cost. In exchange, the fund managers promise to place an

agreed volume of trades through the stockbroker generating commission for it. US regulators have almost banned the practice because the commissions are paid out of investors' capital, but UK regulators allow such arrangements within certain limits.

Imro rules allow the fund managers to accept services which aid them directly in their research activities, provided the stockbroker with whom the agreement is struck arranges to buy or sell the stock at the best available price. Typically "soft" services are stockbroker research or computer software services.

## Hollick urges new media watchdog

By Raymond Snoddy

Lord Hollick, managing director of MAI, the broadcasting and financial services group, yesterday called for the creation of a new watchdog to be responsible for ITV, the BBC and other broadcasters.

The Labour peer whose company controls ITV companies Meridian Broadcasting and Anglia Television told a London conference yesterday that governments could and should regulate the market in which the media will develop. He said a broadcasting watchdog should be responsible for standards, complaints and finances. He said at a confer-

ence organised by The Voice of the Listener and Viewer, the pressure group, that the idea of a media monopoly had to be redefined to cover all forms of media and called for a more effective and coherent government policy.

He argued that an element of public service obligation should apply to all terrestrial, satellite and cable broadcasters "to promote both programme diversity and domestic production".

He said he wanted to "maintain ITV's public service obligations, the positive programme requirements in the Broadcasting Act and the capacity to meet them."

## Business urged to build new Britannia

Sir Donald Goelling, joint chairman of National Car Parks, yesterday called on the government and industrialists to join him in building a vessel to replace the royal yacht Britannia by the year 2000.

The Ministry of Defence, which announced this week that Britannia would be decommissioned in 1997, said Sir Donald's proposal was likely to be the first of many.

Sir Donald said he hoped the government would match the private sector "pound for pound" in building a showpiece vessel for about £80m.

He said that in addition to transporting the royal family and promoting British trade - Britannia's current roles - the ship could be used for adven-

ture training for young people. The ship could be leased to the Royal Navy, which would make it available both to the royal family and the companies which helped to fund it, he said.

"Industries and individuals could take debentures on the ship. The ship is not intended to make a profit, although it might pay some interest to debenture holders."

Sir Donald said he was approached about the idea of building a new royal yacht by a parliamentary maritime group, and he understood they were in touch with other industrialists as well.

A defence ministry official said millions of pounds worth of export business, including weapon sales, had been sealed

with the help of Britannia. He said: "The moment people step on board, they can't help being impressed by the high standards of naval engineering."

A glance at the list of organisers of recent events on board Britannia suggests that the yacht has attracted the "great and the good" of business rather than medium-size and small companies.

This week's conference in Helsinki was chaired by Sir Michael Palliser GCMG, vice chairman of Samuel Montagu and former head of the diplomatic service.

In Bombay last November British Invisibles hosted a seminar with opening remarks by Sir Nicholas Fenn, the British

high commissioner, and contributions by Sir Hugh Bidwell, former lord mayor of London, and Mr Andrew Buxton, chairman of Barclay's Bank.

In New York Mr Tony Tucker, director of public affairs for the Scottish Whisky Association, helped organise a reception for 120 congressmen, journalists and other US guests.

He said: "Undoubtedly the opportunity to use Britannia was most welcome. It added that extra dimension of royal lustre which would just not have been available in a hotel. The Americans were intrigued and very interested so they came along."

In cost terms, Mr Tucker described Britannia as a "very

good deal" - neither "wildly expensive nor cheap" but worth it as a promotional tool.

A separate New York reception aboard Britannia was organised by British Invisibles as part of a programme of trade promotion.

Mr Nigel Carter, a director with British Invisibles, said: "Our seminars were never designed to produce instant reaction in terms of contracts. But we have undoubtedly found Britannia extremely valuable in terms of developing contacts and reinforcing the profile of British firms."

William Lewis  
Jimmy Burns  
Bruce Clark



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## FINANCIAL TIMES

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Saturday June 25 1994

# What haunts the markets

Polonius advised his son, brother of Hamlet's Ophelia, to be neither a lender nor a borrower. If people had taken this sage counsel, there would not be much of a capital market, nor indeed much capitalism. But what has happened to global markets this year reinforces the sense behind his advice. It is not so much that one should be neither a borrower nor a lender. It is more that only one of those roles is worth playing at any moment. It has been a mistake to be a long-term lender in 1994. Now it will prove costly to be a long-term borrower.

In the 1970s, long-term lending to such previously sound borrowers as the US and UK governments proved financially suicidal. Fears of a repeat haunt markets. During periods of declining inflation, investors forget their fears, like hungry mice leaving a sleeping cat. But as soon as inflation stabilises and prospects for short-term gains on long-term loans vanish, they remember once again. So far, 1994 has been a year for remembering.

Naturally, policymakers condemn such fears as irrational. In response to the decline of the dollar to below ¥100, President Bill Clinton said only this week that "this is the first time in 30 years that we have had growth in the economy, with no inflation, led by investment that will create jobs". Thank you, Mr Greenspan, he might have added, but did not. He has, instead, appointed two people to the board of the Federal Reserve, Alan Blinder and Janet Yellen, who are thought to be soft on inflation.

Why did he do that, wonder those spooked markets? He is hardly likely to admit that he hopes to manage a default on Reagan-era federal debt, via a bout of good old-fashioned inflation. He had to say what he did, argue the doubters, whether he is sincere on inflation or not.

## Inflation fears

The return of fears about inflation is one reason for the linked phenomena of declining bond markets and a falling US dollar, another being the strength of the US recovery. Investors no longer wished to buy US financial assets. Once that mood took hold, the size of the US current account deficit made a weakening of the currency likely.

If this is so obvious in retrospect, why was it not in advance? The general assumption at the beginning of the year was that the dollar would strengthen with US economic recovery, as short-term interest rates rose in the US and continued to fall elsewhere, particularly in Europe. The relative short-term interest rate part of

this story has worked out more or less as expected, but it has not had the expected effect on the dollar.

The main reason is that people did not foresee what would happen to long-term rates. What has since been called the world's biggest ever margin call, following the Federal Reserve's minuscule monetary tightening last February, led to larger bond market declines than expected. These increases in long-term interest rates reflect partly the reversal of earlier speculation, partly a return of fears about inflation, but also higher real rates of interest.

## Higher rates

The fact of higher real interest rates is demonstrated by the one more or less incontrovertible piece of evidence, the rise in the real yield on index-linked sterling gilts from 2.9 to 4 per cent since January. This increase explains almost half the rise in the yield on conventional long-term gilts in this period, the rest being presumably due to deteriorating inflationary expectations.

Why should higher real rates hurt the dollar? One reason is that investment opportunities elsewhere are better, partly because recovery in continental Europe and Japan is becoming evident. Investors will wish to invest in other markets, something that is harmful to a country such as the US, which is dependent on foreign exchange rate stability on a continuing inflow of foreign capital.

Also important in a more inflationary environment is past history. It is not an accident that Japan and Germany, both of which have relatively good historical records on inflation and historically strong external positions, have suffered the smallest declines in their bond markets among leading industrial countries. Meanwhile, Canada, Italy and the UK have suffered most. Japan most of all, given its still huge current account surplus.

Three conclusions emerge. The first is that with real interest rates back to 4 per cent, being a borrower is a risky business, even for governments. This has to be true when real interest rates exceed the prospective real rate of growth of an economy.

The second is that more governments should borrow on inflation-indexed terms. Not only would this help analysts understand bond markets better, it would also protect markets from the fear of inflation. Finally, the spooked markets of today are the price of deceit years ago. The only possible response is to go on trying every day to earn their trust.

When the former directors of Belling, the UK cooker manufacturer, were trying to salvage their ailing company in 1991, they turned to the pension scheme. The directors, who were also pension scheme trustees, bought a Belling subsidiary for the scheme with £5.5m of pension assets, and borrowed £2.1m from the fund.

Belling went into liquidation the following year and the liquidators valued the subsidiary at £2.5m. Scheme members turned to the courts to recoup their money. So far, they have recovered little.

This is one of the most serious cases to rock the pensions industry, which has not yet regained public confidence after the disappearance of more than £400m from pension funds controlled by the late Robert Maxwell.

Last week, the government acted to fill some of the most gaping holes in the regulatory net which permitted Maxwell's deception to take place. In addition to giving an oversight of pension schemes, the proposed legislation would alter some aspects of state benefits which may, in some cases, reduce the benefits paid to pensioners.

The overriding question for pensioners and scheme members is whether they will be better off when the proposals become law. The white paper tries to balance improved safety for members against the interests of employers who do not want to bear higher costs. The main points are:

● Creation of a pensions regulator to be funded by a levy on the pensions industry estimated at £10m a year. The regulator would have the power to discipline and set fines for schemes which break the rules.

There is widespread agreement that the regulator is central to improving the safety of schemes. Regulation would be funded by a board selected from the industry. It would rely on "whistle-blowing" by professional advisers to scheme - actuaries, accountants and solicitors - to alert it to wrongdoing.

"Professional people are naturally reluctant to be whistle-blowers for people who are their clients and their source of income," said Mr Stewart James, chairman of the Association of Pensions Lawyers and partner at solicitors Rowe and Maw, and also a member of the Goode Committee, whose proposals the white paper reflects. He thinks the idea of the regulator is not as

effective, therefore, as it could be. ● Minimum solvency standards aim to ensure that schemes have enough assets to meet their pension obligations. These begin to take effect in April 1997 and schemes would have five years to meet them fully. If they meet at least 90 per cent of the standard, they may take another three years to bring them up to 100 per cent.

But there is a cost to members of this added security. This is because the method used to calculate the value of assets - which adds up the cash equivalent needed to buy an annuity that would provide the member with the promised benefits at retirement - means that those who leave schemes early will have lower transfer values.

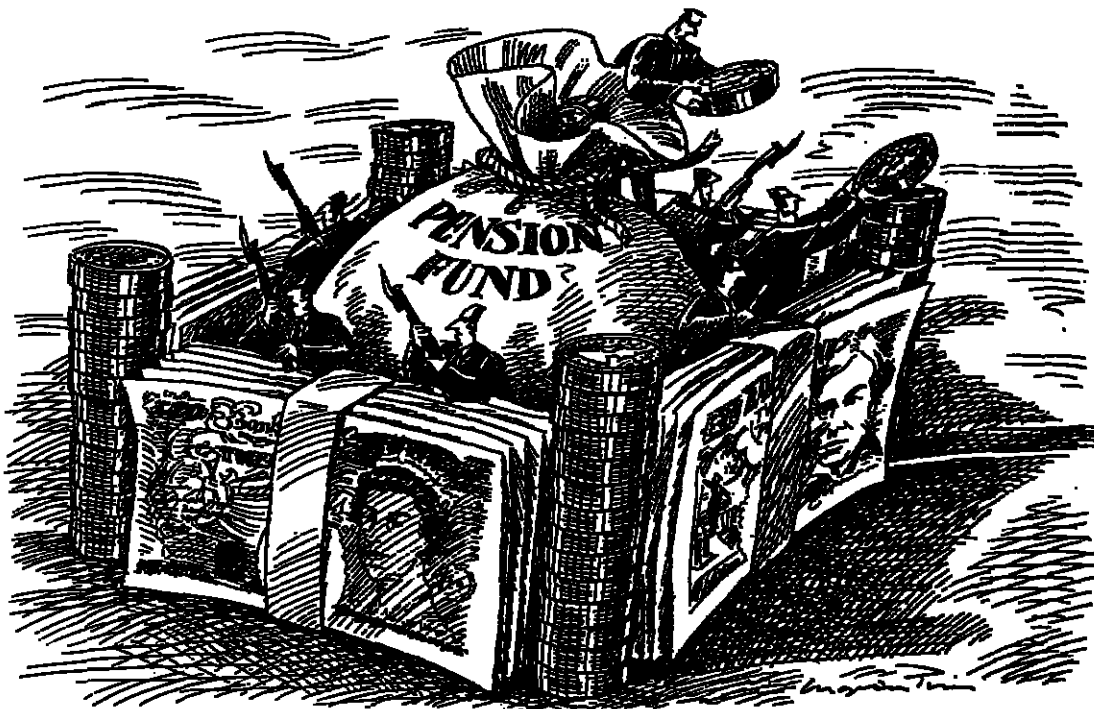
The accountancy firm Coopers & Lybrand estimates that the new calculations of cash equivalents would mean that a 30-year-old leaving a scheme would have a 25 per cent lower transfer value once the new rules take effect.

● A compensation scheme for fraud or misappropriation would be financed by employers and cover up to 90 per cent of any missing assets. ● Scheme members would have the right to appoint at least one-third of a board of trustees, with small schemes guaranteed at least one member trustee.

This proposal should improve the confidence of the average pension scheme member. First, members would be able to appoint trustees who cannot be removed by the employer. They should be in a position to spot inappropriate activity early. Mr Nigel Preston, partner in the pensions practice at consulting

# You win some, you lose some

UK pension scheme members have gained security, but may have lost some rewards, says Norma Cohen



actuarial, therefore, as it could be.

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actuarial, therefore, as it could be. ● Minimum solvency standards aim to ensure that schemes have enough assets to meet their pension obligations. These begin to take effect in April 1997 and schemes would have five years to meet them fully. If they meet at least 90 per cent of the standard, they may take another three years to bring them up to 100 per cent.

But there is a cost to members of this added security. This is because the method used to calculate the value of assets - which adds up the cash equivalent needed to buy an annuity that would provide the member with the promised benefits at retirement - means that those who leave schemes early will have lower transfer values.

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price index, whichever is lower.

The GMP is currently intended to ensure that occupational schemes provide at least a portion of deferred benefits, which rise each year in line with earnings, and which are equal in value to those provided by the State Earnings Related Scheme. Schemes which are "contracted out" of Serps are allowed to receive rebates of National Insurance Contributions along with their members.

According to data from the National Association of Pension Funds, some 41 per cent of employers are voluntarily increasing pensions in payment each year by the amount required under the new law. A further 20 per cent are increasing pensions by an even more generous level. Indeed, only 2 per cent of all schemes have increases of less than 3 per cent each year.

Ms Penny Webster, partner at Bacon and Woodrow, the consulting actuaries, said the abolition of GMP could cause significant reductions in the pensions received by many people. In particular, those who change jobs frequently would be hard hit. That is because, although a "frozen" pension is only required to be updated by 5 per cent each year, the GMP portion of that pension must be increased by 7 per cent or by the level of earnings inflation, which is typically 1½ to 2 per cent above retail price inflation.

"Let's say a 35-year-old man leaves a scheme with 30 years to go until retirement," Ms Webster says. "Considering that GMP can be 40 per cent of his total pension, that man's final pension will be reduced by 15 per cent." Those who stand to benefit are those whose employers provide little or no inflation-proofing for pensions, and who have worked most of their lives for a single employer - a minority of the UK 10m scheme members.

The response to the white paper has been mixed. The NAPF has broadly endorsed it, saying it strikes a balance between improving security for scheme members and limiting costs to employers. But trade unions have said it does not go nearly far enough in protecting scheme members.

The answer to the question of whether the average scheme member is better off is, maybe, for while there is a greater certainty that promised benefits will be delivered, they may prove in the end to be less generous than at present. It will be up to scheme members to decide whether they think the trade-off is worth it.

The attraction of a statutory system is that it would get rid of the present mess.

Such advocates of change are unlikely to have their wish fulfilled, however, says Mr John Mather, a former Treasury minister who is now chairman of Seatchi Government Communications, a lobbyist.

"I cannot believe there is any stomach for amending the FSA this century," he says. "The faults are not big enough for the government to go through the grief that would be involved." Mr Mather agrees. "There is still time to sort out the FSA," he says.

Those hoping that the pensions white paper opens a new door for similar moves for financial services regulation as a whole are likely to be disappointed, therefore. It will take a scandal of the magnitude of the Maxwell case before the politicians see any need to extend statutory regulation to the financial services industry as a whole.

## MAN IN THE NEWS: Conrad Black

# New battleplan for Waterloo

This has been an incredible week for Ms Barbara Amiel, the right-wing Sunday Times columnist. She has her views, usually described as trenchant, have recently encompassed the need for a firm stand against both North Korea and beggars.

On Tuesday she held what has been described as the "high society party of the summer" at the Ritz hotel in London, bringing together 150 people, including Princess Diana, to celebrate businessman Sir James Goldsmith's election as a Euro MP and his wife's 60th birthday.

Ms Amiel's husband, Conrad Black, chairman of the Telegraph group, had quite a week, too. Before heading for the Ritz, Black had been putting the finishing touches to the decision to cut the price of the Daily Telegraph from 48p to 30p.

The decision led to a sharp fall in the Telegraph share price, which exposed Black to something approaching hatred in the City of London because he sold £70m-worth of Telegraph shares last month at what now looks like a fancy price. It also provoked a counter-attack from Rupert Murdoch, who cut the price of The Times to 20p.

But Black is a tough general. "This is not a problem, I have been in tighter corners than this," he said on Thursday night, after hearing of the latest Murdoch manoeuvre and before going off to dinner with Barbara, his second wife who, he says, has made him happier than he has ever been.

By any standards, however, he is fighting a tight corner. And Black acknowledges that Murdoch, chairman of News Corporation, which owns five national newspapers including the cut-price Sun and the

cut-price Times - both selling at 20p - is "playing hardball".

The owner of the Telegraph group said he believed that "he [Mr Murdoch] wants to put the weaker companies to the wall. I am a capitalist and a Darwinian and I don't raise moral objection to that, although we're a live-and-let-live company".

The Canadian newspaper proprietor, with more than a passing interest in military history and the achievements of Emperor Napoleon Bonaparte, laces his conversation with talk of war in the wake of Murdoch's fierce retaliation.

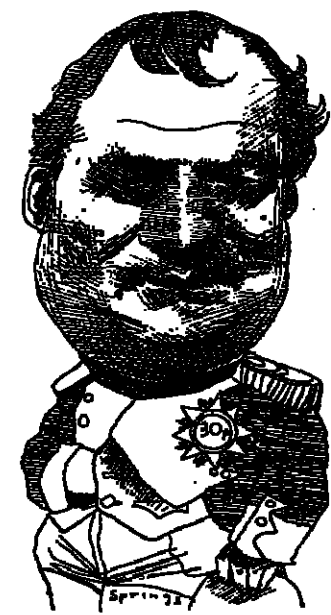
"You can't make war and peace at the same time. If you're going to regret an escalation of hostilities by an adversary who has already declared war on you, you might as well have flown up the white flag in the first place."

He is similarly defiant about City innuendo that, when his main company, Hollinger, sold 12.5m Telegraph shares on May 19 at 587p, he had thoughts of cutting the price of the paper.

Black said he returned from New York last week to find a recommendation "from all my management" that the paper should cut its cover price. May's circulation figures, out earlier this month, showed The Times had increased its sales by 35,000 compared with April, to a new record of 515,000. The choice, as they saw it, was between acting now and watching their circulation drift slowly down.

"Was I seriously supposed to say: 'Sorry, fellows, we can't do it because it will give me a public relations problem.' That is no way to run a company. You do what you have to do when you have to do it," said Black.

He added that he had recently



discovered a new profit centre - suing people for defamation - and promised to sue anyone who cast direct aspersions on the share sale.

The hard attitude some in the financial community have taken towards Black and the Telegraph, however unjustified, may make it difficult for the organisation to raise money in the City of London for some time.

But was the Telegraph price cut, which will cost £40m gross in a full year, wise? Has not Black merely caused pandemonium in the newspaper market, damaged the profitability of his paper and devalued the 77m Telegraph shares Hollinger continues to own - and possibly undermined the future of The Independent - all for a toe-to-toe slug-fest with Mr Murdoch?

"I am not one of those who desires to see a smaller number of newspapers published. We are not trying to run anyone out of business. We are just not interested in being bowled out by Murdoch," said

Black, who believes the effect of the price cut on the Telegraph's profits will be relatively marginal.

"If it shakes out the way we think, I think we will have the pleasure of having stopped the inexorable rise of The Times, shored up our own position and taken only a marginal hit to profits," he said.

Nevertheless, the price war could turn out to be the newspaper equivalent of a winter campaign in Russia for Black, who bought effective control of the Daily Telegraph at a cost of about £20m in 1986.

Price cuts are not the only topic exercising his staff this week. Max Hastings, Telegraph editor-in-chief, appointed Simon Heffer, a journalist known for right-wing views, as deputy editor, amid reports that Hastings was a candidate for being "kicked upstairs".

Black conceded: "I became impatient not with the ideological tenor of the paper but with the lack of sharpness. It just wasn't robust and vigorous enough and needed to be a little bit more of a thumper [the old nickname for The Times]."

On top of this week's turmoil, the Telegraph, a quintessentially Conservative newspaper (though it does criticise individual Conservative governments), could be heading for a period of opposition. If Labour wins the next election, then Black and Ms Amiel will be invited to five powerful political parties, even though Black regards Tony Blair, the favourite for the Labour leadership as "a perfectly nice man".

As usual, Black takes the historic view. The Daily Telegraph, he explained, had been founded in 1855 essentially to oppose the then prime minister Lord Aberdeen, and the Duke of Cambridge as commander of the British army. "You can't always have your own people in power. If we found ourselves as a highly oppositionalist paper, that is frequently a very enjoyable position for a newspaper to be in," said the man who is today many millions of pounds poorer than he was at the Ritz on Tuesday evening.

Raymond Snoddy

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27th June 1994



# Japanese warm to vin ordinaire

While the world's leading central banks agonise over the yen's historic leap through ¥100 to the dollar this week, ordinary Japanese people are having a ball.

A Japanese consumer might celebrate by treating himself to a prime US steak for lunch, washed down with a bottle of French wine or Belgian beer. He could then slip into his new Cherokee jeep for a drive to the local travel agent, where he might book a beach holiday in Hawaii, likely to cost less than a golfing trip to Hokkaido.

These are examples of the formerly expensive foreign treats being snapped up by consumers, enriched by a currency that has risen 35 per cent in trade-weighted terms since the start of last year.

Imports of beef, mostly US and Australian, rose by a third in the year to March; beer imports multiplied fivefold in the first four months of this year, and wine imports doubled. Car imports rose by nearly half last month, the seventh monthly per cent market share, led by US cars with a 50.6 per cent volume rise. Meanwhile, a record 5.2m Japanese travelled abroad in the first five months of this year, nearly 16 per cent more than the same period of 1993.

Their appetites sharpened by more than three years of economic decline, Japanese people have acquired a taste for a bargain.

Some - but by no means all - the consequences of the yen's strength have been good for the economy. A discount shopping spree, for example, was thought to be a factor in a jump in private consumption, by an annualised 5.8 per cent in

the first quarter of this year.

This spree helped import volumes grow by 18.1 per cent in the year to last month, the main cause of a sharp 15.9 per cent drop in the trade surplus over the same period. It was the first clear sign that the politically troublesome current account gap - a factor in the yen's rise - is starting to shrink.

"The boon to consumers will go much further this time than in the previous round of yen appreciation, because people have become genuinely more value oriented," says Mr Dick Beeson, senior economist at James Capel Pacific.

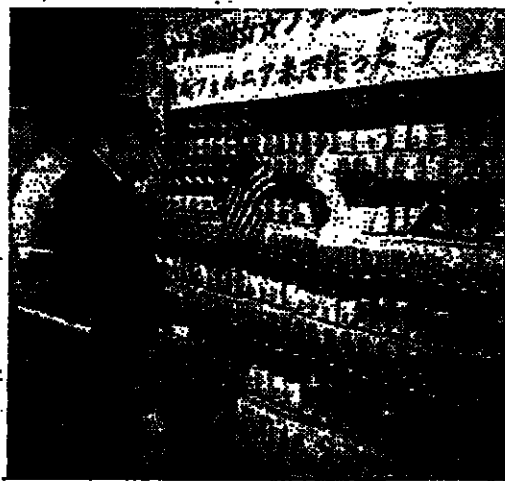
Evidence that Japan's new taste for French wine and US cars could have some way to run is that foreign goods still only represent just over 14 per cent of domestic demand - well below the OECD average of 24 per cent. So Japan's consumers can be expected to reach for their corkscrews and propose a toast if the yen should rise again.

There is, of course, a painful side to the yen's fluctuations. Nowhere is the anguish worse than in the boardrooms of Japan's manufacturing companies. They have seen the yen value of overseas earnings squeezed since the 1985 Plaza accord to restrain the dollar's value started the yen's rising trend.

It is even less welcome when the

Cheap French wine is one pleasant consequence of the strong yen, but there is also pain, says William Dawkins

Japanese shoppers: spend, spend, spend



minority coalition government is facing a no-confidence motion, paralysing attempts to resolve the dispute with the US over barriers to imports, and casting doubt on the substance of the package of deregulation and tax reforms, due to be published on Tuesday.

"The yen's extraordinary sharp appreciation could not only nip the recovery in business conditions in the bud, but also destroy the coun-

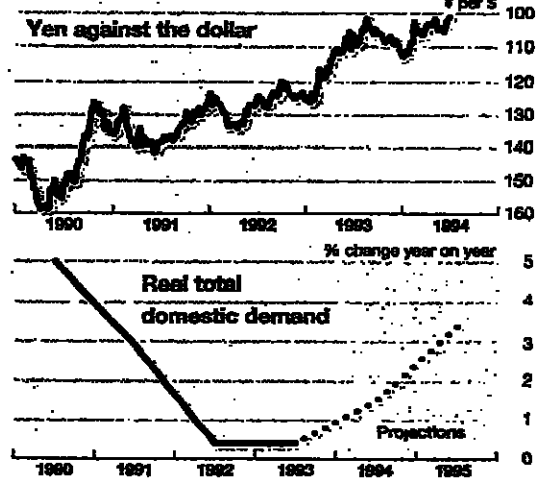
try's manufacturing industry," warns Mr Takeshi Nagano, chairman of the Nikkeiren employers' federation.

Mr Shoichiro Toyoda, chairman of the Keidanren employers' federation, estimates that, if the yen sticks around ¥100 to the dollar for the next year, gross domestic product will shrink 0.8 per cent over the same period. That compares with the government's target of GDP

growth of 2.4 per cent this year.

A similar, but stronger jump in the Japanese currency this time last year killed signs of a recovery then. The yen rose by 17 per cent from January 1993 to last year's high of nearly ¥100 in August, reaching ¥110 by the end of the year. By yesterday it was at ¥101.12, 12 per cent above its 1994 opening rate.

Each ¥1 fall against the dollar over a year slices 3.4 percentage



When Mr Rudolf Scharping chose a cavernous indoor ice-rink on the outskirts of Halle, in eastern Germany, as the venue to launch his campaign last Wednesday for the German chancellorship, he was taking a calculated risk.

Not only was this monument to east Germany's former obsession with sports, with its banks of orange plastic seats screwed to concrete benches, a terrible place for a big speech, even to the party faithful. It was more than that.

Halle, once capital of a sprawling chemical industry, now ravaged by unemployment, is in the throes of an election campaign for a new parliament and government in the state of Saxony-Anhalt. The voters go to the polls tomorrow. So Mr Scharping, the neatly bearded, 46-year-old leader of Germany's opposition Social Democratic party (SPD), was putting his election-winning reputation on the line.

Four months ago, he looked a good bet. Mr Scharping and the SPD were riding high. Chancellor Helmut Kohl was trailing in opinion polls, the economy was still in the doldrums, and the conservative-liberal coalition government in Saxony-Anhalt was in disarray after the resignation of its premier and three ministers in a scandal over inflated salaries.

The Halle party conference to endorse Mr Scharping as the candidate for chancellor was just what was needed, the party strategists declared. It would secure a resounding win in the state election, and set Mr Scharping on his way for the chancellor's office come the general election in October.

This week, it all looked like a very risky gamble. It is Mr Scharping and the SPD who are now falling behind, after a damaging defeat in the June 12 European election. Local elections on the same day in Saxony-Anhalt saw Mr Kohl's Christian Democratic Union (CDU) still in front of the SPD, in spite of the salary scandals, although only by a narrow 1.5 percentage point margin (by 51.2 per cent to 48.7).

Yesterday's national poll-theater opinion poll, broadcast by ZDF television, put the CDU on 40 per cent nationally, to just 36 per cent for the SPD. As for Mr Scharping, he is trailing Mr Kohl in the race to be the next

## Party loses its footing

Quentin Peel on the fluctuating fortunes of Germany's SPD



The tide is running against Rudolf Scharping and the SPD

chancellor by 48 per cent to 41 - a reversal of their fortunes at the turn of the year.

On Wednesday, the mood on the ice-rink was grim. Yet everyone knew they had to put on a good show. Mr Scharping rose to the challenge. He delivered a stirring speech, in complete contrast to his normal wooden, preaching style. He mocked the "fat man" in the chancellor's office, denounced the inequities of west German materialism and east German joblessness, and told his detractors in the party to "put up, or shut up".

The question is whether his newfound fury has not come too late. For the tide seems to be running against the SPD, in both east and west. The party has been unable to make a clear political breakthrough, in spite of still rising unemployment and last year's sharp recession, and even against a chancellor like Mr Kohl, who has never been genuinely popular. Many question whether the SPD's malaise is not more fundamental than a question of policies, or of personalities.

"This is a very difficult time for social democracy," says Mr Jürgen Burchardt, director of the Friedrich Ebert foundation, the SPD think tank. "It is very difficult to formulate policy under our changed circumstances, because you can only tell people unpleasant things."

In areas such as the extension of social benefits, or the protection of lower income groups - classic social democratic themes - the SPD now admits that public funds are not adequate to the task.

Yet in seeking to be realistic and blunt about the financial possibilities, it is alienating both its traditional voters and new, more prosperous groups. "The main themes for which social democracy always stood, and their main voters, are no longer recognisable," says Mr Karl-Rudolf Korte, head of the German political science research group at the University of Mainz. "If everything comes together in a great middle-of-the-road coalition, where will be the specific

themes for the SPD?"

Ever since he was elected leader just one year ago, Mr Scharping has sought to move his party towards the middle ground, to present it as a safe and stable alternative government, and one which might be more competent economically.

Yet it is precisely on the question of "economic competence" that the voters appear to have lost faith with the SPD. In January, a majority voted the opposition above the ruling coalition on that question. But as signs of economic recovery have started to multiply, they have started to multiply, they have started to multiply.

"The election strategy of the SPD has failed," says Mr Hans-Joachim Veen, director of research at the CDU's Konrad Adenauer foundation. "It was a defensive strategy which was wrong from the start, saying: 'We are like the CDU, but rather better.' That meant they were bound to the CDU. They did not control the themes. They had no profile of their own. And the moment the economy started to improve, the CDU could only gain."

The danger for the Social Democrats is that they are looking ever more like an acceptable party for provincial politics - governing at the state or local government level - but not for the national capital. All their main leaders are state politicians.

Mr Scharping's safe, dull and provincial image has only compounded the impression. "He presents himself as a younger Mr Kohl," says Dr Korte.

The irony is that the two may yet be condemned to govern together. For even if Mr Kohl emerges victorious, as the latest polls suggest, the electoral mathematics suggests he will not command a majority with his current coalition. The Free Democratic party, Mr Kohl's current partner, is weak, and may barely scrape back into the Bundestag.

As far as the social democrats are concerned, their strategists seem already to be prepared to contemplate a setback in October.

"I am convinced Scharping has a chance in the medium term, even if he does not make it this autumn," says Mr Burchardt. "Halle convinced me. He has got what it takes. This man is 46. And look how long it took Willy Brandt."

Mr Brandt became chancellor at 55.

## George Graham on the political battle against US tobacco groups

### Hunt for a smoking gun

Mr Thomas Sandefur, chairman of cigarette manufacturer Brown and Williamson, was the very picture of the tobacco executive at bay this week. Several times his lawyer advised him not to answer as he defended his company before a hostile congressional committee against charges that it manipulated the levels of nicotine in its cigarettes to keep smokers addicted.

Repeatedly in recent weeks the chairman and chief executives of leading US cigarette manufacturers have been hauled before a panel of disbelieving members of congress, chaired by Congressman Henry Waxman, to repeat that they do not believe nicotine to be addictive, and do not believe their cigarettes cause lung cancer.

The congressional hounds drew closer to their quarry this week when Dr David Kessler, commissioner of the US Food and Drug Administration, an agency of the health department, denounced Brown and Williamson for developing a strain of tobacco plant with twice the normal levels of nicotine.

"These findings lay to rest any notion that there is no manipulation and control of nicotine [in the manufacture of cigarettes]," Dr Kessler said.

Mr Sandefur was the immediate target in a quest - he calls it a "crusade" - by the FDA for evidence that might justify its defining nicotine as a drug, allowing it to assert its regulatory authority.

Brown and Williamson, owned by the UK conglomerate BAT Industries, has faced particularly close scrutiny because of internal documents about its research and marketing operations, which the company alleges were stolen by a disgruntled employee, has made its way into the hands of Mr Waxman.

But research papers and internal memoranda from other companies are also turning up which have added piece by piece to the picture of an industry that has not just ignored, but actually concealed, the evidence about the addictive and carcinogenic properties of its products.

Amid all these disclosures, Ms Janet Reno, the attorney general, this week announced that the justice department was examining an array of allegations against the tobacco industry that could lead to criminal, civil and antitrust investigations.

Dr Kessler's strategy for taking on the tobacco industry is unclear. The bearded and bespectacled paediatrician came late to the anti-smoking crusade, which he declined to pursue during his first two years as commissioner.

In the past, the FDA limited itself to regulating nicotine in chewing gum or patches to help people stop smoking, and to preventing cigarette makers advertising



their products' benefits, such as weight loss. Dr Kessler now speaks with all the fervour of the convert. The logic of his quest, if he finds more compelling evidence than the FDA yet possesses that nicotine is addictive, would lead him to a complete ban on nicotine-bearing cigarettes, or at least to strict limits on nicotine content.

But Dr Kessler has warned of the danger of prohibition. "One must consider the possible effects of the loss of this source of nicotine on the health of some people who are addicted. It is also important to consider the potential for a black market in nicotine-containing cigarettes,"

he told Mr Waxman's committee. Congressional opponents of smoking also shy away from talk of prohibition. Legislation being considered in Congress to give the FDA explicit power to regulate tobacco (currently defined as neither a food or a drug), sponsored by Congressman Richard Durbin of Illinois and Mike Synar of Oklahoma, would specifically bar the agency from banning cigarettes.

Mr Synar acknowledges that his bill would not pass if it included the threat of prohibition. But the tactics he has adopted highlights how hard it will be to win approval for even the less draconian proposals he is making. He has tried to attach

the measure to the agriculture spending bill, which many legislators from tobacco growing states will in the end feel compelled to vote for, rather than presenting it on its own. "If the bill could stand on its own they wouldn't resort to this backdoor tactic," said Mr Tom Lauria, a spokesman for the Tobacco Institute, the industry lobbying group.

Mr Lauria's confidence reflects the realities of congressional politics: despite the bashing the tobacco industry has received over the past year, its political muscle is still considerable. Political action committees run by the Tobacco Institute and individual manufacturers gave more than \$1m to federal candidates last year.

In addition, the industry is developing a grassroots lobbying strength. The National Smokers Alliance, run by Burson Marsteller, a public relations firm with close ties to cigarette manufacturers, now boasts hundreds of thousands of members and was active, along with cigarette maker Philip Morris, in collecting signatures to place a pro-smoking measure on the November ballot in California.

If approved, the measure would overturn hundreds of local anti-smoking ordinances and replace them with a less stringent state law.

Congress, however, may turn out to be something of a sideshow in a much broader onslaught on the tobacco industry. Anti-smoking campaigners are pressing the attack with new vigour on two other fronts.

First, they are calling for more companies and employers to ban smoking in public places. A 1993 study by the Environmental Protection Agency classifying secondhand smoke as carcinogenic has led to companies such as McDonalds and employers such as the Pentagon to ban smoking on their premises.

Second, legal action is being taken to force the tobacco industry to pay for the health costs of its products. Instead of lawsuits brought by individual smokers or their bereaved relatives against the company to whose products they attribute their lung cancer - a type of case the cigarette makers have almost always won - a new wave of claims is being filed by state governments against the tobacco industry in general.

For tobacco executives such as Mr Sandefur, however, the immediate problem is the prospect of FDA regulation of nicotine. Congressman Ron Wyden of Oregon, another foe of smokers, urged Mr Sandefur to work with Congress to develop regulations his industry could accept, or risk becoming an "outcast" in the debate over smoking policy.

"Congressman, it's hard for me to envision becoming more of an outcast than I am," Mr Sandefur replied.

From Mr Scharping's story, "Checking out" (June 22), there cannot be many visitors to Moscow over the past few years who regret the (temporary) closure of the Rosstoya Hotel. This building was constructed, I believe, for the Olympic Games which were not in fact held in Moscow as planned. However, local folklore opined that the cockroaches were brought in by foreign athletes taking part in the substitute Goodwill Games.

As conference organisers it has been our lot to be accommodated at the Rosstoya from time to time and delegates, speakers and staff have all suffered the indignities of these light-sensitive creatures. Our prize for fortitude however goes to Mrs Barbara Mills who spoke at our event, *Europe/US law and co-operation*, in 1991 when director of the Serious Fraud Office. At a farewell dinner during which discussion turned to 'roaches' she admitted that, as she had not had a single light bulb in her room for two days, she was unaware of the problem.

Sue Wake, managing director, *Interforum Services*, 565 Fulham Road, London SW6 1ES

## Part-time workers need to avoid benefits trap

From Mr Peter Ashby.

Sir, It is encouraging to learn that the UK chancellor is investigating ideas for "improving the workings of the labour market in a humane way" (Economic Viewpoint, June 23). May one therefore ask that he address head-on the fact that registered unemployed people are, in effect, excluded by the benefit system from the main growth sector in the economy: part-time working.

Nowadays, many unemployed people say that they probably have a better chance of finding two part-time jobs, which together would offer an adequate overall income, than one full-time job. The problem is, however, that under the current rules they need to find both part-time jobs simultaneously if they are to be able to leave the register without falling straight into the "benefit trap".

The best way of helping them avoid this would be to offer to pay the long-term unemployed a "portfolio worker's allowance" for, say, a

period of six months, once they have accepted one part-time job. This would give them a proper breathing space to find a second source of part-time income that fits comfortably alongside the first - or, maybe, persuade their employer to convert the part-time job into a full-time one.

The idea is being piloted by Training and Enterprise Councils in Lincolnshire and south London, and the results are encouraging. To make a significant impact, however, there would need to be a national initiative, with national marketing to the unemployed.

The idea of a portfolio worker's allowance is probably the best, and simplest, idea that has been developed for some years to help the long-term unemployed. It would also be cost-effective for the Treasury. If the chancellor adopted this idea, many thousands of unemployed adults could use it to gain access to real jobs.

Peter Ashby, Full Employment UK, 79 Prince George Road, London N16 8DL

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### Scientists strong on religion

From Dr Denis Alexander.

Sir, Professor John Postgate ("Religion: are we better off without it?" June 18/19) is mistaken in thinking that "few scientists" are to be found holding "religious beliefs". Christians in Science is only one of a number of international organisations representing many thousands of Christians engaged in scientific research, a good number of them holding chairs of science in British universities. Considering the powerful impetus that the Christian world-view provided to the emergence of modern science in 17th century Europe, this substantial Christian presence within the scientific community is not surprising, since the two-way traffic of ideas between science and faith has continued unabated ever since.

Prof Postgate's suggestion that "scientists who are religious" have to "close down" their critical faculty for religious work, is embarrassing in its inaccuracy. A steady stream of recent books by various scientists has illustrated the way in which research work has frequently pushed agnostics and atheists down the pathway to theism precisely because they have used their critical faculties.

*Science & Christian Belief* aims to explore the relationship between science and faith at an academic level. As editor I read all manuscripts submitted to this journal. At the same time, I referee a large number of articles submitted to scientific journals. I can find no basis for Prof Postgate's claim that different standards of critical academic assessment apply in these two spheres of science and religion.

Prof Postgate's comments about religion and war reiterated tired arguments that miss important points. In light of

the fact that more than 40 per cent of the scientific research and development budgets of most western nations are committed to developing ways of killing other people, his claim that the scientific community is living on some "moral high ground" is surprising. Scientists have been notorious for contributing their skills to military enterprises, so the idea that the scientific community as a whole is "above" such blood-thirsty activities is ridiculous. Yet scientists do not give up science because it is widely misused any more than people give up sex because of the existence of rape. Similarly, the appropriate response to misuse of religious belief is not to confront religion *per se*, but to oppose its misuse.

Denis Alexander, Editor, *Science & Christian Belief*, 77 Beaumont Road, Cambridge CB1 4PX

Set the right standards

From Mr Mike Asher.

Sir, Richard Gourlay's article, "Quality under fire" (June 21), on the attack against BS5750 makes excellent points. In particular, the fact that organisations not accredited by the National Accreditation Council for Certification Bodies are allowed to issue certificates to companies saying they have BS5750, introduces wide variations in standards, and brings the whole system into disrepute.

The Department of Trade and Industry should act to stop this outrage and give publicity to the role of the NACCB. Only when this happens will buyers know for certain about the suppliers they deal with.

Mike Asher, managing partner, *The Quality Partnership*, 11 Hale Road, Altrincham, Cheshire

### No light on the problem

From Mr Nigel Mason.

Sir, Those who think reserving 10 per cent of the shares in a privatised Post Office ("PO staff may get free shares in sell-off", June 20) is a waste of scarce equity might examine the evidence in the US.

Employees own an average 12 per cent equity in more than a quarter of the Fortune 500 industrials. This is not attribu-

ism. An index of 265 public companies where employees own at least 10 per cent of the equity, compiled by a team at Rutgers University, outperformed the Standard and Poors 500 index by 26 per cent over 11 quarters to September 1993. Capital Strategies, 59 Charlotte Road, London EC2A 3QT

Benefit of employee ownership

From Mr Nigel Mason.

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## COMPANY NEWS: UK

## When price cuts prove price sensitive

David Wighton on the reaction of the Stock Exchange to recent Telegraph share sales

The speed with which the Stock Exchange moved to investigate recent trading in the Telegraph shares may reflect the determination of Mr Michael Lawrence, the new chief executive, to give more focus to its regulatory role. But its equally swift clearing of last month's Hollinger share sale came as little surprise to City lawyers.

An insider dealing specialist from a leading City firm said: "When a sale of that size is proposed there would be such close scrutiny to ensure there was no unpublished price-sensitive information involved that I find it inconceivable that there would be any evidence connecting the sale with the Telegraph price cut."

The freedom of directors of listed companies to deal in their shares is restricted by the listing rules of the Stock

Exchange. These include a model code which forms the minimum rules a company must adopt to cover directors' dealings.

It requires directors to receive clearance from the chairman or other designated director for any dealings in the company's shares. Such clearance must not be given for deals during "close" periods ahead of announcement of financial figures.

For a company that reports quarterly, like The Telegraph, the close period covers the month immediately preceding the announcement of figures.

Dealings are also prohibited in "any period when there exists any matter which constitutes unpublished price sensitive information in relation to the company's securities (whether or not the director has knowledge of such matter)

and the proposed dealing would take place after the time when it has become reasonably probable that an announcement will be required in relation to that matter."

The Stock Exchange investigation has found no evidence that a cut in The Daily Telegraph's cover price - which has proved highly sensitive for the Telegraph share price - was contemplated at the time of the Hollinger stake sale.

There have been very few successful insider dealing prosecutions against directors, largely because of the requirement for trades to be cleared by other board members. The biggest to date was the conviction in 1991 of Mr Ivor Gorman, former chairman of Unigrip, the Leeds-based timber and clothing company. He received an 18-month prison sentence after pleading guilty

to selling £12m of shares in the company just before it announced worse-than-expected figures.

The Stock Exchange is thought to be pursuing investigations into sales of Telegraph shares by employees ahead of the price cut announcement. But insider dealing experts believe it is very unlikely that prosecutions will result.

The new insider dealing rules which came into force in March prohibit someone from dealing in securities when in possession of information relating to the securities, which is "specific or precise" and which if made public would have a significant effect on the securities' price.

Given the number of Telegraph employees who own shares in the company, there is always a steady flow of share

trades. So it is likely that some employees sold shares in the run up to the price cut when there was increasing internal speculation about such a move.

A leading lawyer said that in these circumstances it would be easy to mount a legal defence even if such sales had been prompted by the speculation.

"The prosecution would have to show that the information was 'specific and precise' and that the defendant knew it came from an inside source, and was not just a rumour."

Another defence is that the shares would have been sold regardless of the inside information. "Given the state of the stock market and the amount of public comment about the newspaper market it would be easy to argue that the shares would have been sold anyway."

## Azlan shares fall 10% on warning

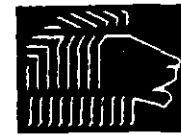
By Alan Cane

Shares in Azlan Group, a distributor of advanced computer networking products, fell 10 per cent yesterday following a warning that profits in the first half of the current year would not match those of last year.

The shares were marked down from 28p to 25p, despite results for the year to March 31 which saw sales rise 49 per cent, from £41.2m to £61.5m, and pre-tax profits grow from £2.95m to £3.67m.

Earnings per share came to 12.4p (8.4p).

The group, which came to the main market last



November at 230p, plans to pay a final dividend of 2p - as indicated at the time of the flotation.

Mr David Randall, managing director, said the results were achieved by continued growth in the UK and improved performance in Germany and Denmark. He said profitability in the first half of the current year would be reduced because of a change in buying patterns among customers.

They were moving from repair and maintenance of existing equipment to the purchase of new systems. This required a longer buying cycle. Orders and prospective orders were at an all-time high, Mr Randall stated.

Azlan had, furthermore, decided to introduce new and more complex products and phase out older technologies. "This strategy, while limiting UK sales growth in the short term, is enabling us to maintain product gross margin percentages while phasing in a series of new products," he said.

Mr Randall added that the majority of the year's profits would be made in the second half.

## EuroDollar priced at 220p

By Paul Taylor

Shares in EuroDollar, the UK's second largest car hire group which is coming to market via a placing and public offer, were priced yesterday at 220p, valuing the group at £107.5m.

EuroDollar, the subject of a management buy-out from TSB last year, had originally planned to issue its prospectus and pricing details on Wednesday. However, the group postponed the flotation in the wake of turbulent market conditions earlier in the week in order to continue book-building.

The group, which has a UK fleet of about 12,000 vehicles and operates from 107 branches across the country, claimed a 10 per cent share of the fragmented 550,000 domestic car hire market last year.

EuroDollar has specialised in the business rental market and 77 per cent of its UK rental income comes from corporate customers. In the year to March 31, the group reported pre-tax profits from continuing operations of £12.5m on turnover of £72.8m.

The issue, which is sponsored and fully underwritten by Schroders, comprises 22.7m shares of which 18.3m are being issued by the company with the remainder sold by existing shareholders.

The offer will raise about £27.7m net of expenses, which will be used to fund the redemption of the outstanding preference share capital, held by the institutional investors



Ian Mooney: good support from over 50 institutions

who participated in the buy-out.

Of the total, some 17m shares have been placed with institutional and other investors and the remaining 5.6m are being offered for sale to the public.

Following the flotation, institutional shareholders will hold about 14.9m shares (65.5 per cent) and the group's directors will hold 6.9m shares, representing a 14.3 per cent stake.

Yesterday Mr Ian Mooney, chief executive, said he was pleased with the price which was broadly in line with expectations. He said the issue had received good support from "in excess of 50 institutions".

SG Warburg Securities is broker to the offer and share dealings are due to begin on July 8.

## Strong second half helps MMI recover to £1.21m

By Peter Franklin

MMI, which through a series of acquisitions has transformed itself from a sponsorship and financial marketing company into a business communications group, consolidated its recovery at the interim stage with a strong second half, reporting a pre-tax profit of £1.21m for the year to end-February.

The outcome compared with a deficit of £473,000 last time

and was achieved after redundancy and other one-off costs of £128,000. Turnover rose from £735,000 to £1.47m.

Earnings per share emerged at 2.05p (1.67p losses).

In July last year the company acquired Palham Communications and its subsidiary, Park Avenue Productions, along with Mediatrix, a corporate publishing company.

The directors said that Park Avenue had had an excellent year, and made the main contribution to the profit performance.

These purchases are to be enhanced by the proposed acquisition of WMGO Group, in connection with which a placing and open offer involving the issue of 35.2m new ordinary 1p shares is being made.

Some 11.5m shares have been conditionally placed with institutional investors at 274p apiece, subject to an open offer to existing shareholders.

On completion of the acquisition it is intended to change the company's name to WMGO Group.

Having gained the necessary approvals to reduce its share premium account by the amount of the deficit on the profit and loss account, MMI is able to pay dividends out of profits. Accordingly, directors have declared a special interim of 0.5p for the current year.

## Prudential pays £73.5m for Welsh shopping centre

By Vanessa Houlder, Property Correspondent

The Prudential has bought the Cwmbran shopping centre, the largest centre in Wales, for £73.5m from Ladbrooke Group and a trust belonging to Mr Leo Nee, chairman of Bourne End, the property company.

The property comprises 170 shops occupying 750,000 sq ft. Tenants include Marks and Spencer, J Sainsbury, Asda and Boots.

Ladbrooke's sale of its 50 per cent stake for £36.8m represents a small surplus over book value at the end of 1993. The initial yield on the deal was about 6.5 per cent.

The deal brings the total sales of commercial property by Ladbrooke this year to about £140m. Mr Peter George, group chief executive, said that negotiations were continuing in respect of other properties and further disposals were anticipated during the remainder of the year.

The deal is the sixth property acquisition

exchanged or completed by the Prudential this week. It has spent £400m on buying a Wolverhampton shopping centre, a parcel of properties from Burton Property Trust and a 50 per cent share of Wimpey's Little Britain office scheme in the City of London.

Mr Chris Taylor, property investment director of the Prudential, said that the insurer was continuing to look for potential acquisitions. "Now the investment market has gone off the boil, it is easier to find value."

Eskenur Properties, the property investment company owned by the Laing family, has bought £24m of investment property, to take its portfolio to a total value of about £170m.

Eskenur said it "had taken advantage of the recent softening of the market". The average yield was more than 8 per cent.

It has bought its own building in London's West End, as well as an office building in Watford, Hertfordshire, three Leeds office buildings, and four warehouse properties.

## Kewill £4m in the black and resumes dividend payments

By Alan Cane

Kewill Systems, the USM-quoted computer software and systems group, is paying dividends again, the trauma of struggles with Weigang, its ill-starred former subsidiary, behind it.

For the year to March 31 it is proposing a final of 8p, the first for two years, from earnings per share of 23p, against losses of \$0.99p.

The payment is a reflection of a capital reconstruction and a much improved performance. The shares rose 9p to 284p.

Profits before tax reached a record £4.04m, compared with a loss of £5.19m restated for FR 3 and struck after a loss of £5.63m on the sale of Weigang, a German software house.

Turnover fell 4.7 per cent to £31.8m, against £33.3m, which included £2.34m from Weigang. The decline also reflected the fall in hardware values affecting the computer industry.

Borrowings were reduced from £3.96m to £77,000 during the year and have since been reduced further. The interest charge fell from a net £59,000 to £35,000.

Kewill specialises in software for manufacturing and accountancy and has a new and fast growing interest in

electronic document interchange.

Mr Kevin Overstall, chairman, said there were few signs of new investment yet among companies in the UK and Europe but trading in the US was much improved with profits up to £1.21m, compared with £28,000.

"New products, improving economic conditions and further reductions in operating costs all point to continued profitable growth over the coming year," he said.

COMMENT

The saga of Kewill and Weigang, purchased for a song in 1991, should serve as a cautionary tale of overseas expansion for small companies. The acquisition went wrong and Kewill's management found itself out of its depth in a foreign country and a foreign language.

An investment of £500,000 turned, in two years, into a goodwill write-off of £5.6m by the time the company was disposed of to its management. During this sorry episode, however, Kewill's basic business remained sound and profitable despite the recession.

Its software is generally well regarded and it is looking to acquire compatible companies - in the UK, this time. With Weigang a lesson learned, the shares, on a historic p/e of 12, are cheap.

## Float values UCM at £19m

By Peggy Hollinger

The weak stock market has not stopped Universal Ceramic Materials' flotation plans as the manufacturer of refractory and heating element products yesterday announced it had placed 6.97m shares at 86p, giving it a value of £19m.

UCM had to compromise, however, on the amount of new cash it can raise. Against hopes of between £2m and £10m, it will raise just £2m.

After redemption of preference shares and expenses it will

receive some £2m.

Mr Bob Hughes, chief executive, said that though the climate had been difficult, he was delighted with the outcome of the placing.

Sponsors Beeson Gregory had managed to get the placing away with a price comparable to expectations just a day later than planned, after discussions with Scottish institutions earlier in the week.

Delaying the flotation any longer would have hindered plans to expand alumina capacity, to prepare for the with-

drawal from the continental European market of two large competitors, he said.

UCM reported pre-tax profits up from £683,000 to £1.7m for 1993 on sales 12 per cent higher at £26.7m. Mr Hughes said sales in the current year were ahead of 1993.

After flotation, the company expects to be less than 20 per cent geared.

The board, which is selling 824,000 shares, is expected to hold 15 per cent of UCM. A consortium of venture capitalists will hold 40 per cent.

## JBA coming to market via placing with £53m valuation

By Alan Cane

JBA International is coming to the market by way of a placing which values the Birmingham-based computer software house at £53m.

Some 11.5m ordinary shares are being placed at 150p, or 36.5 per cent of the enlarged share capital. The rest of the stock is held by the management and

institutions, although International Business Machines has retained its holding of just over 5 per cent.

About £12.4m is being raised. After expenses and redemption of preference shares, some £9.6m will be available to the company to help fund its expansion in mainland Europe. The placing is sponsored by Kleinwort Benson which is also underwriting the offer.

At the placing price, the p/e based on last year's earnings is 16.3, slightly lower than the sector average.

Mr Alan Vickery, chairman, said the offer price was lower than he had anticipated two months ago, but indicated the state of the market place where stocks had not only to reflect quality but also been priced.

JBA specialises in writing software

for IBM's AS/400 midrange computer family; it claims to be the US computer manufacturer's largest business associate in Europe.

Pre-tax profits last year were £4.7m when about one third of its £74.5m turnover came from the US.

Mr Vickery said there had been some interest in the placing from US investors.

## NEWS DIGEST

## Syltone rises 18% to £2.5m

Profits before tax at Syltone advanced 16 per cent during the 12 months to March 31, underlining the encouraging stance adopted at the halfway stage by Mr Tony Clegg, chairman of the Bradford-based transport engineering group.

On turnover ahead to £39.9m (£36.7m) - some 60 per cent of the group's sales go to export markets - the pre-tax line rose from £2.13m to £2.52m.

Although still short of the £2.87m reported for 1991-92, Mr Clegg said: "We are heading in the right direction and are not short of ideas for expansion."

The core business, Drum, which is the UK market leader in truck discharge equipment, reported strengthened order books and higher profits, although activities in continental Europe lagged growth elsewhere. The group has severed its link with Alfons Haar, its distributor in Germany.

Fully diluted earnings per share emerged at 8.33p (7.25p). The final dividend is 3.31p, making a total of 4.93p (4.72p adjusted for scrip issue).

Turnover rose 16 per cent to £45m while earnings per share under FR 3 came through at

2.06p (1.88p). An increased final dividend of 0.375p is recommended for a total of 0.4p (0.375p).

Visteo said second half growth was accelerated by the acquisition of 190 Communications last November and Data Logic Communication Services in February 1994. These purchases had broadened the group's range of network service products and expanded its client base.

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lowing the announcement of increased pre-tax losses for the six months to March 31.

The shares have fallen from a high of 185p this year and are close to the price of 130p at which they were floated on the USM in September 1992, but below the 175p at which the company raised £2m in a placing in April this year.

Pre-tax losses increased from £483,000 to £1.01m as a result of increased spending on research and development. Losses per share were more than doubled at 4.4p (2.1p).

Since the period end, the company has launched one of its core products, Faras or food antibiotic residue analysis system.

The company is intending to change its name to Teynel Life Sciences "to reflect the scope and potential of the company".

Approval for British Gas Canadian sale

British Gas has received Ontario government and regulatory approval for the sale of its 85 per cent interest in Consumers Gas of Toronto to Interprovincial Pipe Line System of Edmonton, Alberta.

In line with the agreement reached on November 19 last year British Gas will receive C\$1.2bn (£588m).

Stoddard Sekers advances to £2.1m

Despite a dull trading environment, Stoddard Sekers International, the carpets and furnishings fabrics maker, lifted pre-tax profits by 42 per cent from £1.51m to £2.14m in the year ended March 31.

Turnover rose 8 per cent to £58.7m (£55.4m) as a result of a full contribution from BMK (10

months in 1992-93) and the introduction of fabric supply to the automotive industry.

Interest charges fell to £220,000 (£220,000) and net earnings per share were 1p higher at 2.8p. The recommended final dividend of 0.85p makes a total of 1.6p (1.5p).

Mr Ralph Ellis, chief executive, said the group was well structured to achieve acceptable performance at the current level of activity and "we remain confident that we will be able to sustain steady positive growth".

Arthur Shaw £0.6m in the black

Arthur Shaw, the USM-quoted maker and supplier of security fittings for windows and of engineered products and services, achieved pre-tax profits of £607,000 in the year to April 3, compared with losses of £88,000.

The group returned to profitability at the interim stage and Mr Ian Ticker, chairman, said he looked forward to further profit growth in the current year. The group was continuing to expand its research and development programme and widen its range of products and markets.

Turnover improved by 20 per cent to £20.2m (£16.8m).

Earnings per share came through at 4.67p (1.68p losses) and a final dividend of 1.5p is proposed, making 2p (nil) for the year.

Ewart seeks £4.85m for expansion

Ewart, the Belfast-based property company, is seeking a net £4.85m through a placing and open offer of 9.42m shares at 55p.

Four shareholders have undertaken to accept in respect of 34.9 per cent of the issue. The balance has been placed conditionally, subject to a 1-for-2 clawback offer to existing shareholders.

The company, which is seeking a listing on the Irish Stock Exchange, is estimating pre-tax profits of not less than £1.1m (£158,000 loss) for the year to April 30, giving earnings per share of 5.06p (0.44p).

M&G Second Dual net assets rise

M&G Second Dual Trust, the split capital investment trust, reported net asset value per capital share up from 543.37p to 601.01p over the year to May 31.

Net revenue for the year to the end of May was £2.4m (£2.39m) for earnings per income share of 24.03p (23.87p). A proposed final dividend of 10.75p makes a total for the year of 23.97p (23.86p).

Wagon acquires Evercheck pref

Wagon Industrial Holdings has acquired the preference share capital of Evercheck, holding company of Montan Group, from the Royal Bank of Scotland for £2.5m. The consideration will be 534,188 shares which have been conditionally placed.

Wagon acquired Evercheck's ordinary share capital on March 31 for a nominal consideration.

CIA expands in Europe with AB buy

CIA Group, the advertising services company, has acquired a

34 per cent stake in AB Media, the Paris-based independent media concern.

The USM-traded group will acquire the outstanding 66 per cent within 29 days.

Consideration amounts to FF19m (£2.2m) cash and the issue of 253,423 shares to vendors. An additional FF19m has been placed in escrow, payable in June 1997. A further profit-related payment of up to FF19m may become payable in 1998.

BBA settles US litigation for \$19.8m

BBA, the engineering and motor components group, has settled litigation between its Automotive Products subsidiary and Tilton Engineering out of court for a total of \$19.8m (£12.8m).

The amount, payable in two instalments, will be taken as an exceptional item in BBA's current year results.

AP will be granted a licence to manufacture Tilton's carbon racing clutch, the subject of the dispute, and all outstanding claims against AP will be dropped.

BBA also announced that trading for the first five months of the year had been encouraging with the benefits of the restructuring and subsequent action on the cost base beginning to come through.



## INTERNATIONAL COMPANIES AND FINANCE

## Low crude prices bring profits warning from Elf

By John Riddling in Paris

Elf Aquitaine, the French oil group privatised earlier this year, yesterday warned that first-half recurring operating profits would fall by about 20 per cent, compared with the same period in 1993, and that net profits would fall by a greater proportion.

In the first half of 1993, Elf achieved recurring operating profits of FF5.6bn (\$1bn) and recurring net profits of FF2.1bn. Yesterday, Elf shares fell by FF14 to FF390, compared with a price of FF385 at which they were offered to the public in February.

Mr Philippe Jaffré, chairman, said the group's exploration and production activities had been hit by low crude oil prices during the first few months of the year. Although the price of Brent crude has recovered to more than \$17 a barrel, the average price for the year to date is just under \$15 a barrel

compares with an average of \$15.30 for the first half of last year.

Mr Jaffré said the impact of this factor had been lessened by reductions in exploration expenditures and through cost-cutting measures. However, industry analysts added that Elf was particularly sensitive to oil price movements.

"Elf is a much bigger producer than most other European oil groups, such as Total," said Mr Mark Flannery, oil and gas analyst at BZW. He said the rise in the oil price over the past few months should prompt a strong recovery in profits in Elf's exploration and production businesses.

First-half profits at Elf have been affected by weak demand in the refining and marketing sector in France and other principal European markets. In addition, operating income in this sector was reduced by the costs of restructuring the com-

pany's Minol service station network in eastern Germany.

The decline in profits will be amplified at the net level because of an increase in financial charges, according to Mr Jaffré.

The Elf chairman said measures were being implemented to reduce the group's debts, which amounted to FF32.5bn at the end of last year. He said he hoped to realise about FF5bn from the sale of assets this year as part of his strategy of reducing borrowings at the group.

Elf sounded a positive note with respect to its chemicals operations. According to the company, restructuring measures had reduced production costs while economic recovery in Europe had led to improved sales volumes. As a consequence, Elf said there had been a "noticeable recovery of results" in the first half of the year.

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## Kodak hires Sculley as part-time adviser

By Martin Dickson in New York

Mr John Sculley, the former chief executive of Apple Computer, has been hired as a part-time marketing adviser by Eastman Kodak, the photographic products group in the throes of a shake-up.

Mr Sculley, who resigned as chief executive of Apple in June last year, built the computer company into a leading global brand.

He helped do the same for PepsiCo, the soft-drink manufacturer, where he was a senior executive before joining Apple in 1983.

Mr George Fisher, the former chief executive of Motorola, the electronics group, who took over as Kodak chairman late last year, said he had worked closely with Mr Sculley for the past 10 years.

"I am confident John can help Kodak develop a more aggressive marketing approach," he said.

Yesterday's appointment is good news for Mr Sculley, who suffered embarrassing publicity earlier this year when he resigned from Spectrum Information Technologies, a wireless communications group, after less than four months as chairman, alleging that he had been deceived about accounting practices.

Mr Fisher is making sweeping changes at Kodak, which has suffered for years from lacklustre financial results. He is keen to push the company aggressively into digital electronic imaging, which in the past has been overshadowed by the group's traditional silver halide photographic technology.

Kodak is still looking for a new senior executive to lead its digital operations and is said to have been holding talks with Mr Don Strickland, Apple's vice-president of imaging, and a former Kodak employee.

## Statoil refinery scheme hit by delay

By Keren Fossil in Oslo

The construction of a condensate facility to expand the Kalundborg refinery in Denmark is expected to exceed budget by at least DKK1bn (\$150m) and be delayed by at least one year, Statoil, the Norwegian state oil company and owner of the refinery, said yesterday.

The facility is intended to expand annual production capacity by 1.5m tonnes to 4.8m tonnes and allow output of light oil products to meet stricter environmental stan-

dards. It is expected to come on stream in the fourth quarter of 1995. The budget for the project was DKK2.2bn but this was adjusted to DKK3.2bn last January.

"The increases reflect delays and deficiencies in the engineering work that have had a knock-on effect in the construction phase and have created substantial extra work," Statoil said.

The disclosure comes six years after a NOK6.4bn (\$900m) cost overrun on Statoil's Mougstad refinery expansion project in Norway.

This exceeded Statoil's equity capital at the time by 27 per cent.

That budget overshoot forced the resignation of Mr Arve Johnsen, president and chief executive - replaced by Mr Harald Norvik, Statoil's current president and a far-reaching reorganisation of the company. The group had to seek a capital injection.

The main contractor is US-based Ralph M. Parsons, while Exxon is the technical adviser to the project.

"These cost overruns undermine the profitability of the

project compared with original plans. However, the project has come so far that there is no question of halting it. To ensure an acceptable completion of the project, we have made substantial organisation changes," said Mr Norvik.

Statoil estimates the net rate of return on the project at 6 per cent, or 10 per cent before tax.

In September, the board is to be presented with findings of an internal audit of the project which is under way. A government inquiry into the affair may be called for.

## Repsol's promising new chapter

Enagas acquisition will lift Spanish energy group, writes Tom Burns

Mr Oscar Fanjul, the publicly-shy economist who is chairman of Repsol, Spain's partly-privatised energy and chemicals group, can afford a bit of chutzpah at the corporation's annual meeting in Madrid today.

A week ago Mr Fanjul clinched an important deal, opening a promising chapter in Repsol's history.

Gas Natural, which is 45 per cent owned by Repsol, bought Enagas, the state-owned importer of natural gas and supplier of gas in the fast-growing domestic market.

Repsol, whose shares are traded in London, New York, Tokyo and Madrid, becomes a hybrid among energy corporations through the addition of a greatly increased gas business to its profitable oil exploration, production, refining and marketing activities.

"Repsol is now quite unlike all the other energy groups," says Mr Luis Prota, an analyst at Madrid securities house AB Asesores. "No other oil company has this sort of big gas business, integrating supply and sales."

The Ptas51.2bn (\$379m) acquisition of 91 per cent of Enagas lifts Gas Natural's quota of the domestic gas market from 41 per cent to just over 90 per cent.

Gas Natural has become the third-biggest gas company in Europe in terms of market cap-

	1992	1993	(1st Qtr) 1993	(1st Qtr) 1994
	Pesetas (m)			
Operating income	122.19	156.87	39.39	46.47
Net income	71.81	88.11	23.53	26.26
Cash flow after taxes	154.06	192.44	45.96	57.10
Net income per share*	239.72	287.05	78.43	87.54

\*Pesetas

Source: company figures

italisation and the fourth in terms of clients.

Gas Natural bought Enagas well below the Ptas80bn-Ptas120bn price range suggested when the takeover negotiations began nine months ago.

This pleased the markets, as did the terms of the deal. Repsol, together with La Caixa, the large Catalan savings bank that has a 25 per cent stake in Gas Natural, avoided the investment burden of a gas pipeline being built by Enagas to link Spain to Algeria's gas fields via Morocco.

The pipeline, due to be operational by the end of 1996, will now be built by a separate company, called Sagane, that will remain in public ownership.

Gas Natural has an option, but not an obligation as was originally intended, to buy Sagane from the government in 2000 for Ptas50bn, a price that represents a fraction of the cost of the state's investment in building the fixed gas link.

The pipeline investment, and the original purchase figures, had prompted market fears that an Enagas takeover would drag down Gas Natural's profitability as well as Repsol's.

But the energy corporation struck what Mr Juan Carlos Calvo de Madrid brokers FG called "a very positive deal for itself".

Repsol officials say the takeover has given the energy corporation a new lease of life at a time when the domestic oil market, 60 per cent controlled by Repsol, has become increasingly mature.

Mr Fanjul made the gas business a priority for the corporation in 1986, shortly after he became chairman, and he now calls the strategy "one of those corner decisions of which we should feel proud".

Repsol has spent nearly 10 years working towards the Enagas acquisition. In the late 1980s it bought into regional gas distributors to build up Gas Madrid which it owned outright. In 1991 it merged Gas Madrid with the Barcelona-based Catalana de Gas, in which it had a 15 per cent stake, to create the nationwide Gas Natural company.

The acquisitions had full government support because there was concern that the fractured domestic gas market

would fall prey to foreign companies. Gas Madrid's merger with Catalana de Gas, for example, pre-empted a bid for the Barcelona company by British Gas.

Over the past five years Repsol's gas business has raised its contribution to group operating income to 25 per cent from 9 per cent. The weighting of gas within Repsol will increase because of the Enagas acquisition, but it was set to rise even without the takeover because of the new momentum the Spanish government has given to natural gas.

Under the national energy plan, which gave the go-ahead for the Algerian pipeline to lift domestic gas supply, natural gas will have doubled its contribution to national energy consumption from the current 6 per cent to at least 12 per cent by 2000.

Repsol could not have timed the expansion of its gas business better: the turnover of Gas Natural-Enagas is likely to be Ptas200bn this year and is forecast to be more than Ptas600bn by 2004.

Analysts believe Repsol's after-tax profit could increase annually by as much as 15 per cent over the next three years.

This is the sort of message Mr Fanjul will give to shareholders today, and the timing is favourable. Repsol is expected to make a Ptas200bn-Ptas300bn global share offer later this year that will reduce the government's stake in the energy group to about 30 per cent from 41 per cent.

## Sheritt in Cuban mining joint venture

By Bernard Simon in Toronto

Sheritt, the Canadian metals group, is to form a joint venture with Cuba's Compania General de Niquel to mine, process and market nickel and cobalt.

The partnership is the latest move by Canadian mining and energy companies to expand their presence in Cuba in the face of US economic sanctions.

Several European and Mexican industrial companies have gained a foothold in Cuba as the climate towards foreign investors improves.

The joint venture will include a mine and ore-processing facilities at Moa Bay in Cuba, as well as Sheritt's refinery at Fort Saskatchewan, Alberta.

Sheritt buys a large portion of Moa Bay's output as feedstock for the refinery.

The two companies said they planned to expand and modernise the Moa Bay facilities, and would set up a joint marketing company.

## France may sell CNP stake in September

By Richard Lapper

The French government could sell off part of CNP Assurances, the country's biggest life insurance company, as early as September.

Mr Patrice Ract Madoux, finance and international director, said continued weakness in the French equity markets might make the privatisation of CNP more feasible than that of Assurances Générales de France, the large composite insurance company which is also scheduled to be sold.

The government sold off Union des Assurances de Paris, its biggest insurer, earlier this year.

Mr Ract Madoux is expecting the government to sell a stake of between 30 per cent and 35 per cent of CNP, raising between FF5bn and FF6bn (\$699m-\$1.1bn).

The group hopes to attract an overseas investor and has been targeting potential parties in North America and Europe. The state would retain a 40.5

per cent interest, with the savings banks owning about 10 per cent and the post office about 17.5 per cent.

"If the market is soft we may be a test for government. We are planning to be ready by early September," said Mr Ract Madoux.

"Given the state of the market it may be easier to sell a medium-sized company. It would be more digestible."

CNP has grown rapidly in recent years, increasing its sales by 50 per cent in 1993 alone.

Mr Ract Madoux said the group's sales through 17,000 post offices, 6,000 savings bank branches and 4,000 tax offices had all increased, partly because of the effectiveness of training programmes.

CNP, which specialises in a relatively simple life insurance savings product, has a market share of about 17 per cent.

The commission payments it makes to intermediaries are much smaller than those paid by France's composite companies.

## ADVERTISEMENT

## BUILDING SOCIETY INVESTMENT TERMS

Name of Society	Product	Rate	Term	Rate	Rate	Interest	Minimum	Access and other details
		Est.		Est.	Est.	Yield	Release £	
Albion & Ladbroke	Special Edition	7.25	7.25	5.40	5.40		1	7.00% 75% 25% 15% one withdrawal of 10% of total without pen. Rate variable
	Home 90	6.00	6.00	5.20	5.20	Ytd	100,000	5.20% 75% 25% 15% one withdrawal of 10% of total without pen.
	Home 100	6.00	6.00	5.20	5.20	Ytd	100,000	28 days notice without pen. no
	Home 120	5.45	5.45	4.20	4.20	Ytd	100,000	5.00% 75% 25% 15% one withdrawal of 10% of total without pen.
	Home 150	4.90	4.90	3.37	3.37	Ytd	100,000	4.10% 75% 25% 15% one withdrawal of 10% of total without pen.
Barnaby	Special Account	6.20	6.20	4.50	4.50	Ytd	50,000	90 day notice without pen. Monthly income option.
Barclays Building Society	Special High Int.	6.40	6.40	4.75	4.75	Ytd	50,000	Instant access above £10K
	First Class Int.	7.00	7.00	5.25	5.25	Ytd	100,000	Instant access as priority
Barclays & Blythe	HomeSpecial Special	5.00	5.00	3.75	3.75	Ytd	5,000	Third interest monthly income available
	HomeSpecial Special	6.00	6.00	4.50	4.50	Ytd	10,000	Third interest monthly income available
	HomeSpecial Special	6.40	6.40	4.80	4.80	Ytd	20,000	Third interest monthly income available
	HomeSpecial Special	6.70	6.70	5.05	5.05	Ytd	40,000	Third interest monthly income available
	HomeSpecial Special	6.90	6.90	5.25	5.25	Ytd	2,500	Third interest monthly income available
Calcraft (01742 67847)	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
Canary (01844 336 331)	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
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	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
	HomeSpecial Special	6.20	6.20	4.50	4.50	Ytd	10,000	Third interest monthly income available
	HomeSpecial Special	6.2						



## COMMODITIES AND BOND PRICES

## WEEK IN THE MARKETS

## Bulls back off at metal exchange

London's commodity markets appeared to be heading for an up-beat and to the week yesterday morning with aluminium, coffee and cocoa prices registering significant gains. But the mood changed after lunch as the bulls went into retreat.

Aluminium's rise, which took the three-month futures position at the London Metal Exchange to a 39-month high of \$1,505 a tonne, was encouraged by news of a big fall in exchange warehouse stocks - the third in a row - which traders saw as confirmation that the voluntary output reductions announced following the agreement reached by leading producing countries in

January were beginning to bite.

As the metal topped the \$1,500 mark, however, concerns were raised about the possibility that more remunerative prices might encourage companies to reverse some of the cuts.

"An awful lot of producers who have cut back must now be wondering if they should think about re-starting some of those pot-holes," Mr Anthony Bird, of industry specialists Anthony Bird and Associates, told the Reuters news agency.

That helped to undermine sentiment and by the close the three-month price was back to \$1,490.50 a tonne, up just \$3 on the day and \$20 on the week.

The copper market had already begun drawing in its horns after its spike on Thursday to a fresh 21-month high of \$2,507 a tonne for three months delivery.

Renewed profit-taking

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	1994 - High	1994 - Low
Gold per troy oz.	\$381.70	+3.80	\$376.45	\$369.50
Silver per troy oz.	\$323.50	+1.00	\$322.50	\$315.50
Aluminium 99.7% (cash)	\$1,480.00	+20.5	\$1,480.00	\$1,107.50
Copper 99.95% (cash)	\$2,440.00	+11.5	\$2,440.00	\$1,731.50
Lead (cash)	\$243.5	+0.5	\$243.5	\$243.5
Nickel (cash)	\$52.00	+0.5	\$52.00	\$52.00
30-day SHG (cash)	\$268.5	+0.5	\$268.5	\$268.5
30-day (cash)	\$268.5	+0.5	\$268.5	\$268.5
Cocoa Futures Sep	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Dec	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Mar	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Jun	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Sep	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Dec	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Mar	\$2,507.00	+1.00	\$2,507.00	\$2,507.00
Cocoa Futures Jun	\$2,507.00	+1.00	\$2,507.00	\$2,507.00

For current and other data, see p. 10. Prices are in US dollars unless otherwise stated. © Financial Times Ltd. 1994

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red date	Price	Yield	Week	Month
Australia	8.000	09/04	98.0000	-0.090	8.81	8.23
Belgium	7.250	04/04	98.2500	-0.090	7.98	8.11
Canada	8.000	01/04	98.0000	-0.090	8.11	8.35
Denmark	7.000	12/04	97.7000	-0.020	8.16	8.35
France	8.000	05/08	103.6000	-0.170	7.03	6.48
Germany	8.000	04/04	98.0000	-0.090	7.78	7.18
Italy	8.000	05/04	97.7000	-0.070	7.08	7.14
Japan	5.000	01/04	98.0000	-0.080	10.451	10.77
Netherlands	8.000	05/08	103.6000	-0.170	7.03	6.48
Spain	8.000	04/04	98.0000	-0.090	8.11	8.35
UK	8.000	01/04	98.0000	-0.090	8.11	8.35
US Treasury	8.000	01/04	98.0000	-0.090	8.11	8.35

US Treasury

EDU (French Govt)

London (New York end-day)

Prices are in US dollars unless otherwise stated. © Financial Times Ltd. 1994

ECONOMIC DIARY - FORWARD EVENTS

TOMORROW: Ukrainian

presidential election. Summit

of CFA franc zone heads of

state in Libreville.

MONDAY: GB cinema exhibitors

(first quarter). US existing

home sales (May). European

Union research council meets

in Luxembourg. Nigerian

constitutional conference begins

in Abuja. Offer begins for

privatisation of INA, the Italian

state-owned insurer. US and

Canadian trade and economic

ministers meet in Chicago to

resolve their farm-trade dispute.

Rail Maritime and Transport

workers union conference in

Liverpool (until July 1). Official

launch of Channel Tunnel

railfreight services. Preliminary

figures from Seaboard and

Norweb.

TUESDAY: Major British banking

groups' mortgage lending

(May). UK Treasury releases

revised economic forecasts. US

new home sales (May). Consumer

confidence (June). North-South

Core pre-summit talks. Hungarian

parliament scheduled to convene

for first time since Socialist secured

absolute majority in May elections.

British Coal pub-

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Announcements Metal Trading)

ALUMINIUM 99.7% (cash)

Close 1461.5-2.5 1460-1

Previous 1459-0 1457-0

High/Low 1470 1457/1457

AM Official 1470-1 1457-0

AM Official 1470-1 1457-0

Open Int. 276,548

Total daily turnover 65,000

ALUMINIUM ALLOY (3% per tonne)

Close 1458-0 1470-0

Previous 1458-0 1460-0

High/Low 1460 1457/1475

AM Official 1460-0 1457-0

AM Official 1460-0 1457-0

Open Int. 2,778

Total daily turnover 790

LEAD (3% per tonne)

Close 543-4 580-1

Previous 538-0 580-1

High/Low 543-4 580-1

AM Official 543-4 580-1

AM Official 543-4 580-1

Open Int. 37,861

Total daily turnover 4,587

NICKEL (3% per tonne)

Close 6350-0 6445-0

Previous 6305-0 6445-0

High/Low 6350-0 6445-0

AM Official 6350-0 6445-0

AM Official 6350-0 6445-0

Open Int. 58,006

Total daily turnover 5,254

TIN (3% per tonne)

Close 5480-0 5541-0

Previous 5480-0 5541-0

High/Low 5480-0 5541-0

AM Official 5480-0 5541-0

AM Official 5480-0 5541-0

Open Int. 17,111

Total daily turnover 7,010

ZINC (3% per tonne)

Close 905-4 1007-0

Previous 878-0 1007-0

High/Low 905-4 1007-0

AM Official 905-4 1007-0

AM Official 905-4 1007-0

Open Int. 105,226

Total daily turnover 13,589

COPPER, grade A (3% per tonne)

Close 2445-0 2457-0

Previous 2445-0 2457-0

High/Low 2445-0 2457-0

AM Official 2445-0 2457-0

AM Official 2445-0 2457-0

Open Int. 228,190

Total daily turnover 54,235

LME ALUMINIUM 99.7% 15485

LME CLOSING 2% RATE 15485

SPECIALIST 3 MONTH 15485 6 MONTH 15485 9 MONTH 15485

12 MONTH 15485

15 MONTH 15485

18 MONTH 15485

21 MONTH 15485

24 MONTH 15485

27 MONTH 15485

30 MONTH 15485

33 MONTH 15485

36 MONTH 15485

39 MONTH 15485

42 MONTH 15485

45 MONTH 15485

48 MONTH 15485

51 MONTH 15485

54 MONTH 15485

57 MONTH 15485

60 MONTH 15485

63 MONTH 15485

66 MONTH 15485

69 MONTH 15485

72 MONTH 15485

75 MONTH 15485

78 MONTH 15485

81 MONTH 15485

84 MONTH 15485

87 MONTH 15485

90 MONTH 15485

93 MONTH 15485

96 MONTH 15485

99 MONTH 15485

102 MONTH 15485

105 MONTH 15485

108 MONTH 15485

111 MONTH 15485

114 MONTH 15485

117 MONTH 15485

120 MONTH 15485

123 MONTH 15485

126 MONTH 15485

129 MONTH 15485

132 MONTH 15485

135 MONTH 15485

138 MONTH 15485

141 MONTH 15485

144 MONTH 15485

147 MONTH 15485

150 MONTH 15485

## PRECIOUS METALS

## LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)

Close 381.70-381.80

Previous 381.70-381.80

High/Low 381.70-381.80

AM Official 381.70-381.80

AM Official 381.70-381.80

Open Int. 381.70-381.80

Total daily turnover 381.70-381.80

SILVER (Troy oz.)

Close 323.50-323.60

Previous 323.50-323.60

High/Low 323.50-323.60

AM Official 323.50-323.60

AM Official 323.50-323.60

Open Int. 323.50-323.60

Total daily turnover 323.50-323.60

PALLADIUM (Troy oz.)

Close 138.50-138.60

Previous 138.50-138.60

High/Low 138.50-138.60

AM Official 138.50-138.60

AM Official 138.50-138.60

Open Int. 138.50-138.60

Total daily turnover 138.50-138.60

PLATINUM (Troy oz.)

Close 457.00-457.10

Previous 457.00-457.10

High/Low 457.00-457.10

AM Official 457.00-457.10

AM Official 457.00-457.10

Open Int. 457.00-457.10

Total daily turnover 457.00-457.10

RUDE CRUDE OIL (Troy oz.)

Close 12.25-12.30

Previous 12.25-12.30

High/Low 12.25-12.30

AM Official 12.25-12.30

AM Official 12.25-12.30

Open Int. 12.25-12.30

Total daily turnover 12.25-12.30

HEATING OIL (Troy oz.)

Close 12.25-12.30

Previous 12.25-12.30

High/Low 12.25-12.30

AM Official 12.25-12.30

AM Official 12.25-12.30

Open Int. 12.25-12.30



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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Teller system, they are not in order of execution but in ascending order of price which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains denote the previous day.

## British Funds, etc.

Treasury 13.4% Stk 2000 - 122.5 (22.04.94)  
Treasury 13.4% Stk 2000 - 122.5 (22.04.94)  
Treasury 10.5% Stk 2000 - 121.25 (22.04.94)

## Corporation and County Stocks

London County 2.5% Cons Stk 1990 (22.04.94)  
London County 2.5% Cons Stk 1990 (22.04.94)  
London County 2.5% Cons Stk 1990 (22.04.94)

## UK Public Boards

Chapman 2.5% Stk 2000 - 120.0 (22.04.94)  
Chapman 2.5% Stk 2000 - 120.0 (22.04.94)  
Chapman 2.5% Stk 2000 - 120.0 (22.04.94)

## Foreign Stocks, Bonds, etc.

Albania National Treasury 10.5% Stk 2000 - 120.0 (22.04.94)  
Albania National Treasury 10.5% Stk 2000 - 120.0 (22.04.94)  
Albania National Treasury 10.5% Stk 2000 - 120.0 (22.04.94)

## Sterling Issues by Overseas Borrowers

Asian Development Bank 10.5% Stk 2000 - 120.0 (22.04.94)  
Asian Development Bank 10.5% Stk 2000 - 120.0 (22.04.94)  
Asian Development Bank 10.5% Stk 2000 - 120.0 (22.04.94)

## Listed Companies (excluding Investment Trusts)

API Group PLC 2.5% Stk 2000 - 120.0 (22.04.94)  
API Group PLC 2.5% Stk 2000 - 120.0 (22.04.94)  
API Group PLC 2.5% Stk 2000 - 120.0 (22.04.94)

## FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 380 Indices and the FT-SE Actuaries Industry Basket

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SOC Group PLC 12.5% Stk 2000 - 120.0 (22.04.94)  
SOC Group PLC 12.5% Stk 2000 - 120.0 (22.04.94)  
SOC Group PLC 12.5% Stk 2000 - 120.0 (22.04.94)

Greenall Group PLC 8% Stk 2000 - 120.0 (22.04.94)  
Greenall Group PLC 8% Stk 2000 - 120.0 (22.04.94)  
Greenall Group PLC 8% Stk 2000 - 120.0 (22.04.94)

Wills Carron Group PLC ADR (5:1) - 120.0 (22.04.94)  
Wills Carron Group PLC ADR (5:1) - 120.0 (22.04.94)  
Wills Carron Group PLC ADR (5:1) - 120.0 (22.04.94)

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[illegible]



## OTHER OFFSHORE FUNDS

[illegible]



## WORLD STOCK MARKETS

## NORTH AMERICA

UNITED STATES (Jun 24 / US\$)

DJ 100

S&amp;P 500

NASDAQ

NYSE

AMEX

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## OCEANIA

AUSTRALIA (Jun 24 / A\$)

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**INVESTMENT TRUSTS - Cont.**

1944	1.7
1933	4.7
1928	1.5
1924	1.5
1921	1.5
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# Weekend FT

SECTION II

Weekend June 25/June 26 1994

## Union Jacques that Eurosceptics fear

As Europe's leaders meet in Corfu this weekend, Charles Grant assesses Delors' impact on western Europe and how his contribution has defined the debate on its future for decades to come

This weekend on the island of Corfu, Europe's leaders hope to name the man who will implement – or abandon – the vision of Jacques Delors for a grand political union on the eastern side of the Atlantic.

After 10 years as President of the European Commission, Delors has come to symbolise the ideals of a generation of European federalists – and everything that Eurosceptics dislike and fear.

After the great battle in Rome in October 1990, between Margaret Thatcher and Delors about his plan for a single European currency, Britain's *The Sun* newspaper filled its front page with the three words: "Up yours Delors". If this expressed only the inchoate fears of little Englanders, there has since emerged a widespread anxiety in many European countries about Delors' vision of a federal future.

Yet no politician since the second world war has made a greater impact on western Europe. General De Gaulle and Margaret Thatcher made profound changes in their own countries. It is true. But Delors leaves an indelible mark on half a continent.

He transformed the feeble and ineffective bureaucracy of the European Commission, and the European Union it serves, into influential and intrusive organisations. It is precisely because of this that they have attracted a wave of popular hostility.

How did this workaholic, with the fiery temper and a strong sense of Roman Catholic morality, achieve such a position? And why is it that he is one of the most popular politicians in France, where he is likely to be the Left's candidate for the presidency in May?

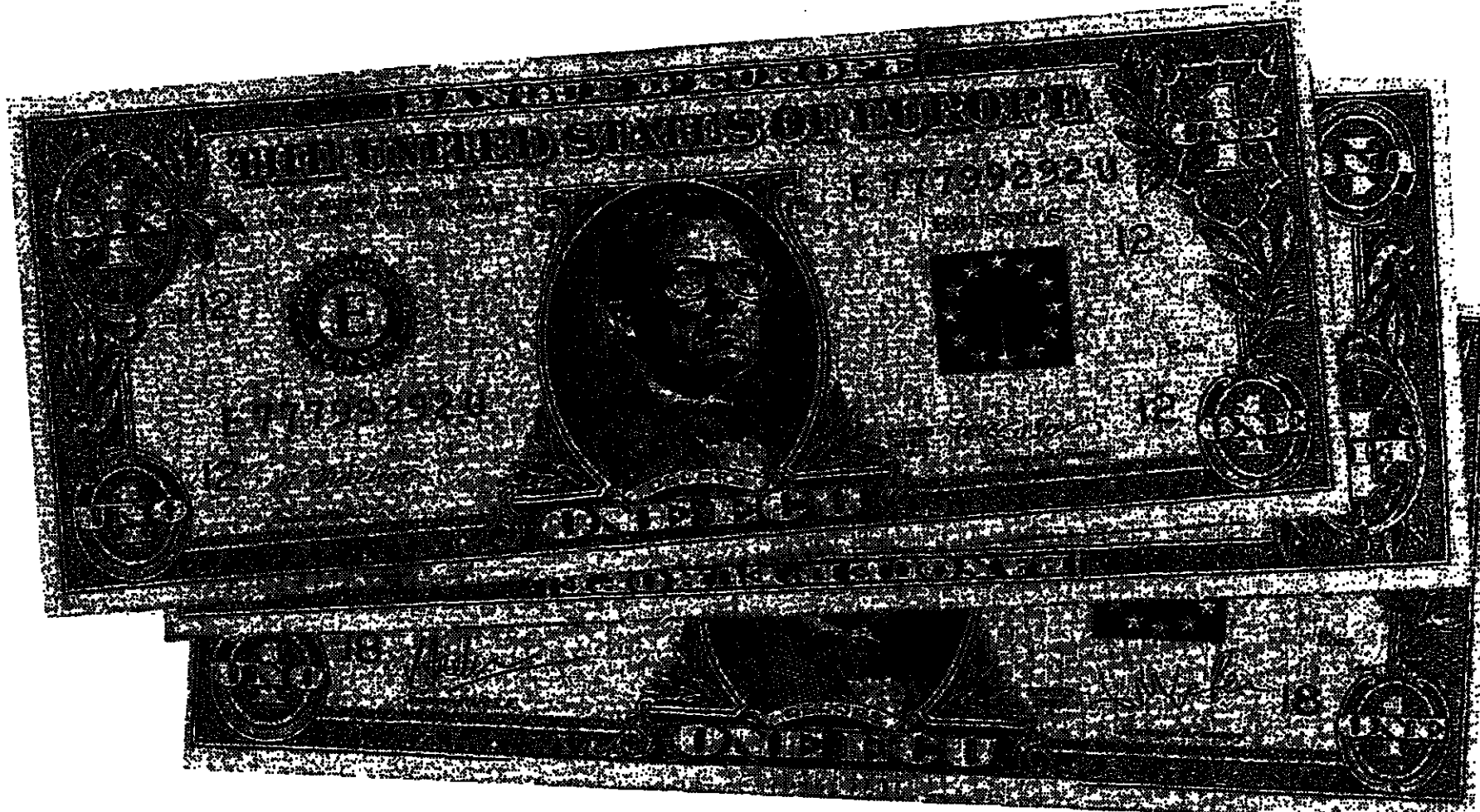
Delors' absence from the fray of party and factional struggle – as a *deus ex machina* in Brussels – has given him the image of someone who is above politics. He has nurtured this myth, often claiming that he is too naive, too lacking in self-confidence and too unambitious to succeed in politics.

And indeed he has never been at ease in any political party. In the 1950s and 1960s he worked with a series of left-wing Roman Catholic clubs rather than the socialist party. He has never been elected to an assembly, with the exception of the European Parliament in 1973.

However, the story of Delors' European presidency reveals him to be a master of tactical skill, strategic sense and political cunning.

When he became president of the European Economic Community (which later became the European Community, or EC, and later still the European Union, or EU) use of the national veto had ensured that the commission's draft laws seldom passed the Council of Ministers.

From his first month in office,



Delors began to transform the Community. He had huge influence on the programme to create a single market by the end of 1992; the Single European Act; the budgetary packages of 1988 and 1992; the European Economic Area; the Social Charter and the Social Chapter; the Delors Report on Economic and Monetary Union (Emu); and the subsequent moves to "political union".

The EU became such a success during the Delors years that nine countries applied to join.

These were remarkable achievements, for it is much more difficult for a politician to make a mark on European institutions than on his own government. The constitutions of nation-states are hierarchical, and allow a prime minister or president with a parliamentary majority huge scope for making changes.

The EU, however, is a complex network of supra-national bodies (the commission, European Parlia-

ment and Court of Justice), inter-governmental bodies (the Council of Ministers) and national governments, which all contribute to the legislative and executive processes.

The EU's constitution allows no role for a leader with a strong executive authority. Ultimately, the Council of Ministers takes the most important decisions, but only after officials from the commission, the Council of Ministers' secretariat, the European Parliament and national ministries have been consulted.

Euro-MPs, commissioners, junior ministers, national ambassadors and hundreds of lobbyists all have a say. Committees, working groups and all-night meetings – rather than powerful individuals – are the cogs which drive this machinery forward. Decision-making is so slow and consensual that decisive leadership from the centre is almost impossible, as Delors' predecessors discovered.

How, then, did Delors set about the task? Luck played its part. The Community began to regain momentum just before his arrival. The Fontainebleau summit, which appointed him in 1984, settled five years of arguments over Britain's budget contribution. In an increasingly liberal climate, most governments thought the best treatment for Eurosclerosis would be deregulation.

Delors exploited these opportunities with great tactical skill. When he chose to relaunch Europe around the theme of the single market, he understood – better than many British politicians – that there would be political consequences.

The commission's white paper of 300 barrier-busting proposals put pressure on governments to provide the means for implementing them. The result was the Single Euro-

pean Act, which ended the national veto on single market laws. Delors' next key initiative, in 1988, was to push the EC towards European monetary union.

He knew that would provoke a debate on the reform of the EC's institutions – which became known as political union. Delors always had a clear idea of where he wanted Europe to go, which gave him an advantage over political opponents who lacked his long-term vision.

A commission president has few formal means of influencing European politics, other than the right of proposal. Much of Delors' clout has depended on the friendships he cultivated with EC prime ministers and foreign ministers. Helmut Kohl has proved by far the most useful of these allies.

The pair enjoy each other's company, sharing a strong Roman Catholic faith and an earthy sense of humour. In 1988 Delors persuaded Kohl to back Emu, and the chancel-

lor made his friend chairman of what became the Delors Committee.

In 1989 Delors' warm support for German unity – when Thatcher and Mitterrand had doubts – turned friendship into *blutsbrüderschaft*. During the talks on the Treaty of Maastricht, Delors relied on Kohl to keep the other governments in step with his timetable for Emu.

Many of Delors' personal qualities proved well-suited to his job. The president has a chance to set the EU's agenda, so is likely to be more effective if, as in Delors' case, he – there has yet to be a she – is a prodigious generator of ideas. Throughout his career, in articles, speeches and books, Delors has spouted out proposals on industrial relations, labour markets, monetary economics and Europe's constitution.

Delors' staff joke that the role of Pascal Lamy, his *chef de cabinet* until last month, was to tell the president which were the 19 of his

20 ideas that would not work. Delors combines a fertile imagination with a pragmatic bent that makes him a keen compromiser. He spends evenings and weekends reading and annotating documents. At meetings of the Council of Ministers and at summits he is usually better prepared than anyone else.

His forte at such occasions is to craft compromises which others fail to find because they lack his knowledge of the detail. Thus at the Edinburgh summit of December 1992, Delors found the formula which settled the EU's budgetary plans to 1999.

Delors believes he has a duty to serve God by improving the lot of mankind. That sense of mission justifies, in Delors' own mind, his ambition. "What drives me is the worry – a sort of panic – that I might not do useful things," he says. "I am never satisfied. Evidently, those who are will be happier."

He is uninterested in money and, in spite of a £140,000 a year salary (after tax), leads a frugal life. He avoids diplomatic soirées and seldom ventures out in the evening – unless one of his favourite jazz musicians, such as Sonny Rollins, happens to be performing.

He descended into one of his blackest-ever moods in February 1988, just before a Brussels summit that was supposed to approve his budgetary package. Delors told a meeting of commissioners that if, as he feared, the summit did not pass his package, he would resign and they should too.

When none of them offered to do so he accused the commissioners of cowardice and disloyalty. If there was a shipwreck, he said, they were all in it and he would denounce any survivors. He accused Grigoris Varfina, the Greek commissioner, of incompetence and treachery, and said that he and his department were *une honte* (shameful) and *une scandale*.

Delors four times told his colleagues that they should be ready to resign with him. After two hours of this haranguing he stormed out. In the event the summit passed the package and Delors never had to test his colleagues' loyalty.

Surprisingly, those who experience Delors' ire are usually ready to forgive him, for they respect his integrity and his ideals. "Delors' weaknesses, such as his self-questioning, make you want to protect him," says Max Kohnstamm, formerly chief aide to Jean Monnet (one of the Community's founding fathers), and a friend of Delors. "If he kicks someone, you don't ask if he's plotting against them, because you know he's doing it for Europe."

He inherited a horizontal power structure in which the president was *primus inter pares* among the

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### The Long View / Barry Riley

## Look who's talking...



Once again the international financial markets are being infuriatingly obtuse, or so it appears to the politicians. As another minor dollar crisis erupted on the foreign exchanges this week, the chairman of the US Federal Reserve, Alan Greenspan, chose to boast (in the dangerous style of Britain's former chancellor, Nigel Lawson) that the economic outlook for the US was "as bright as it has been for decades".

US treasury secretary Lloyd Bentsen insisted the economy was fundamentally strong and, by implication, the dollar should be, too. President Bill Clinton also joined in this round of jaw-boning which was, apparently, intended to soften up the markets for the next round of intervention. "In the end, the markets will have to respond to the economic realities," he said. Well, yes...but have they not already been doing so?

Which has the stronger economy: the US, with 3½ per cent growth in GNP, unemployment falling, and corporate profits and investment rising rapidly; or Japan, where total output is barely growing and industrial production is down, year-on-year? But let us look at that again. Japan has a huge surplus of exports over imports and is likely to run a balance of payments surplus of \$125bn this year. It has a negligible budget deficit and boasts the lowest inflation and interest rates of any major country.

The US, in contrast, has been running up deficits for many years: it is unwilling to tax its citizens enough to pay the government's bills and the nation is eager to consume more imports than it is willing or able to finance through export deliveries.

Currency strength or weakness in the long run tends to reflect ingrained national characteristics. When the politicians of a country such as the US become annoyed by the tendency of their currency to sink, they tend to hit

out either at the alleged irrationality of the markets or at the supposed irresponsibility and cussedness of overseas governments – in this case, at the failure of the Japanese government to expand domestic credit fast enough.

In fact, the Americans should look at their own characteristics. They save comparatively little and are high consumers. As a result, investment and growth will be comparatively low and the currency will be weak in the long run, with a tendency towards high inflation. If the Americans want to live like this, it is their privilege to do so – but they should understand the consequences. If they really want to stabilise the dollar, they must take steps to raise domestic savings and stop blaming everybody else.

Substantial countries rarely change their economic spots. A notable exception has been France, once firmly in the high inflation camp but more recently transferred to the German economic zone, to the incomprehension of Anglo-American critics. The UK, of course, continues on its secular decline, with record levels of consumption and a rate of aggregate national savings at the bottom of the international league table. The exit from the European exchange rate mechanism in September 1992 was rationalised widely as a triumph: sterling's trade-weighted index drifted below 80 this week, the lowest for more than a year.

These long-term trends in currencies have become evident since the ending in the 1930s and 1940s of the links with gold, and especially since the introduction of the floating rate system early in the 1970s. Meanwhile, price movements have become upward-only – not always rapid, but without the interludes of offsetting sharp price falls which meant, in previous centuries, that there was no long-run trend in prices.

An over-spending country with a weak currency has to attract the savers of other countries by offering them a higher rate of return. The greater the reluctance of savers in a hard currency

country to venture overseas, the greater the premium will have to be.

Japanese investors have been hit savagely by currency losses in the past and are proving very reluctant to expose themselves to the very real risk of more of the same. The yen would have appreciated further if the Japanese authorities had not been heavy buyers of US treasury bills and other short-term dollar assets.

Now that last year's temporary optimism over the dollar has evaporated, dollar interest rates look anomalously low. Short-term rates have, for a long time, been below those in Germany: now, 10-year bond yields are, too.

In part, this might reflect the problems of Germany itself which, because of the persistent consequences of re-unification, is in danger of slipping off its pedestal: state borrowing is very high and the Bundesbank has lost control of the money supply. But dollar rates are, nevertheless, too low and the Americans will have to stop chattering and keep on ratcheting.

As the accumulation of debt proceeds, more marginal savings have to be attracted and the real cost of borrowing is likely to rise. Foreign investors have to be compensated for the risk of currency depreciation, domestic ones for the risk of inflation in the long run. There is no point in finance ministers protesting that the present rate of inflation is low. It is less than four years since UK inflation was over 10 per cent, a time period which is just the fleeting interval between one football World Cup and the next.

Perhaps the borrowers should focus on the possibility that they could bring down their costs by offering a firmer promise of repayment, backed by links to an inflation or currency index – or even to bullion (as the French once did in their post-war dilettante period) thus, in effect, reinstating the gold standard for long-term government debt.

For the time being, though, we shall continue to be witnesses to the frustrating spectacle of perverse financial markets refusing to accept the self-evident truths uttered by the politicians.

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## MARKETS

## London

## Powerful men with money to burn

Roderick Oram

One often finds a way to prop up flagging paper assets is to allow powerful men with money to burn to intervene in the marketplace. Central bankers tried it with the dollar yesterday with limited effect. Earlier in the week, Conrad Black and Rupert Murdoch tried it with their flagship newspapers, slashing cover prices of the Daily Telegraph and The Times to stimulate circulation.

The likely outcome will be the same in both cases: much money will be spent but for negligible net gain. Some currencies and newspapers will rise, others will fall while the men who tried to move the markets will be a lot poorer.

The currency effect on global markets was dramatic from the opening of trading on Monday. The dollar weakened rapidly particularly against the yen and D-Mark. Factors cited ranged from worries about rising US inflation, worsening US-Japanese trade relations and accelerating growth in Germany.

Bonds in the US and Europe took fright, dragging down equities with them. The FT-SE 100 index shed a net 146.3 points to end the week at 2,876.5, its lowest mark since July 26. But few people resorted to ditching their shares.

This was supposed to be the year of the strong dollar, thanks to rising US interest rates, falling German rates and other favourable economic conditions. Instead, it has weakened against some currencies as investors have become nervous about inflation and politics. It is important to bear in mind, however, that the dollar is now stronger than two years ago on the more realistic basis of its trade-weighted average.

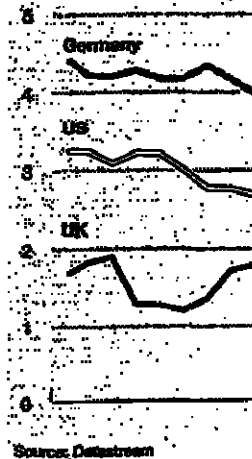
More turmoil is ahead, though, argue those analysts who see exchange rates as a key influence of capital markets. SG Warburg's economists believe the dollar will be driven lower by four factors: the US trade deficit is deteriorating; US inflation will run ahead of Germany's; the US Federal Reserve, driven by domestic economic considerations, will not raise interest rates enough to help the dollar; and doubts are growing about the Clinton Administration's competence in handling geopolitical problems.

Yet not everybody is glued to the currency screens. "The weakness of the dollar is a distraction. You shouldn't take any notice of exchange rates," says Peter Lyon, global strategist at Smith New Court. They might tell you something about relative inflation rates but it is much more important to focus on interest rates.

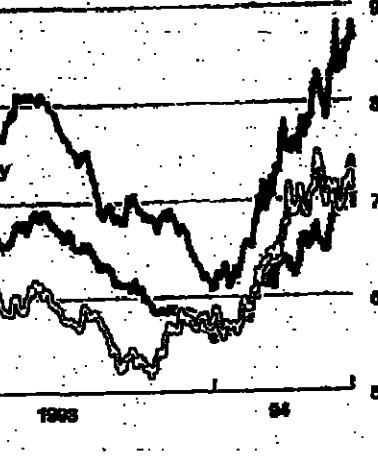
Policy makers have made some big economic mistakes concentrating on currencies rather than interest rates, not the least of which for the UK was its experience in the ERM. Lyon took comfort this week

## Inflation down, yields up

Inflation Annual % change



Bond yields 10-year government bonds (%)



Source: Datastream

from the failure of US bond prices to reach the lows they reached a month ago. "There may be some sort of light at the end of this tunnel," he says. "Sentiment is changing in the UK equity market. He notes that at the beginning of the year, high optimism was signalled by an historically high ratio of calls to puts in the derivatives markets.

Now the ratio is historically low, signalling high negativity. Such sentiment is typical of a selling climax at the bottom of the market. Thus it also tends to be a good indication of the moment to resume buying.

What will consumers of goods and services start buying more is a question many companies in the news this week have been asking themselves. Even with only moderate demand, British Steel was able to report pre-tax profits of £149m after restructuring costs. But to try to bring more rational behaviour to the marketplace, it is going to take the EU to court over its steel subsidies.

First Leisure reported disappointing interim pre-tax profits of £14.1m, up 16 per cent. It is still finding consumers cautious about spending their income on recreation. Perhaps the public - like Eurotunnel investors who left one-third of the UK rights issue with underwriters - just want to speculate rather than participate. Guinness, for example, has reported brisk stout sales during the World Cup. During the Ireland-Italy game, one pub pulled five times the number of pints it would in a normal evening.

The corporate calamity of the week was Haxford Foods. Its shares fell sharply after it announced lower profits, production problems at four new plants and consequently the resignation of the head of its UK operations. Silenight's shares fell after it said people were buying fewer beds.

But if the public is not eating and sleeping the way it was, can it be persuaded to read more newspapers? Rupert Murdoch is convinced it can. Or at least he can snatch readers from someone else. Since he cut the cover price of The Times 10 months ago, its circulation has risen from 370,000 to 515,000.

Some of those readers have converted from the Daily Telegraph which had tried to remain aloof. But with the Daily Telegraph's circulation recently falling below 1m a day for the first time in more than 40 years, Conrad Black could hold out no longer. He retaliated with his own price cuts.

A few other things were slashed in the process, including The Telegraph's share price, along with that of United Newspapers, the Daily Mail Trust and other publishers.

It was the most dramatic moment in the Telegraph's history since Lord Camrose halved the price to 1/2p in 1930, an event some Telegraph readers would still remember.

Murdoch counter-punched by cutting The Times' cover price to 20p. At that price he needs to sell some 300,000 more a day to break even. It might be cheaper for him to buy all the extra copies himself. Such market intervention would cost him personally about £18.7m a year.

## Serious Money

## Can watchdog stop another Maxwell?

Gillian O'Connor, personal finance editor

Two cheers and one hiss for the pensions White Paper. Overall, it is a lot tougher than expected. Company pensions will be more secure and personal pensions will be more flexible. So, most people should be able to make sensible provision for their retirement.

The worry is that the new watchdog might not be tough enough to stop another Maxwell. (Analysis: page 11).



Source: FT Graphix

re-defined as "likely to produce better returns".

This counter-intuitive logic can be applied also to overseas investment. Many people instinctively regard investing in foreign stock markets as riskier than confining themselves to the UK. But Britain is a mature economy with only a few growth businesses. The emerging markets story has been horribly over-hyped.

Yet, the basic argument for an international investment portfolio with at least some money in emerging markets remains valid. Sticking to the UK is the global equivalent of keeping your life's savings in a box under the bed.

Fair enough. But the cost of this security blanket is that some funds may produce a lower level of return than they could have done without the new restrictions.

Those with a high proportion of older members will need to hold a correspondingly high proportion of gilt-edged stocks, rather than equities. But, if historic patterns hold true, equities are likely to do much better than gilts over the long term.

Initial calculations suggest that if pension funds kept their present asset mix (50 per cent equities/20 per cent bonds), they would provide an annual return of 17 per cent over 20 years. If they move to a 50/50 split, the return would drop below 16 per cent.

This calculation is as relevant to your own investments as it is to pension funds. As a very rough rule of thumb, an individual investing on a reasonably long-term basis should benefit from investing the majority of his money in equities. In a real sense, they are the safer choice - if "safe" is

were being pulled in all directions?

Was he really prepared to buy on a 10% per cent discount to net assets when seemingly comparable trusts were trading on a 5%?

Well, perhaps. But there is another way of looking at it. At least, private investors are learning to look for value, invest for the long term, and buy near the bottom rather than the top of the market.

Now for something altogether more practical: the BP dividend. Shareholders are this year being given a novel choice. Do they want to take their dividend in cash - or would they prefer extra BP shares worth 25 per cent more than the cash dividend?

The novelty lies not in the choice, as such, but the fact that shareholders are being offered the equivalent of the gross (rather than the net) dividend. BP's 460,000 private shareholders should certainly consider taking the shares. But there are several caveats.

First, if your shares are held in a personal equity plan, there is no significant advantage in opting for the share alternative. You need also to be careful if you are thinking of selling the extra shares - as many income-orientated investors may.

Conventional stockbrokers have minimum charges ranging from 25p to as high as 2.50p. BP shareholders with relatively small holdings will find that the extra value of the share alternative could be swallowed up by the costs of realising it.

The way round this is to use Hargreaves' cheap dealing service, which has a basic commission of 1 per cent with no minimum. But the hassle factor means it is probably not worth considering unless you expect to use it more than once.

\*Enquiries: 0273-444 428

HIGHLIGHTS OF THE WEEK

	Price	Change	1994	1994	
	YTD	on week	High	Low	
FT-SE 100 Index	2876.5	-146.3	3220.3	2876.5	Fall in US dollar
FT-SE Mid 250 Index	3374.2	-182.9	4152.8	3374.2	Buyers withdraw
Ajo Wiggins	246	-21%	316	237	Warburg "sell" recommendation
BAT Inds	372	-34	570	372	High nicotine debate
Blue Circle	277	+6	391	262	Panorama Gordon recommends
GKN	582	-24%	632	510%	Stock overhang
Glaxo	532	-47	725	520	Bond investment concerns
Lloyds Bank	522	-41%	660	522	Smith New Court turns seller
Mirror Group	130	-42	203	126	Newspaper price war
RTZ	918	-41	899	790	Dollar pressures
Reed Int'l	750	-44	964	750	Dollar pressures
Rolle-Royce	174	-12	204	161	Unimpressive presentation
TSB	204	-20%	291	202%	Disappointment over results
Telegraph	332	-216	622	323	Cover price cut
United Newspapers	485	-118	751	479	Newspaper price war

AT A GLANCE

Investor Confidence index slips again

The Pearl Investor Confidence Index fell by two points during June, reversing the trend set by a steep rise in May. The index has now fallen during five of the six months in 1994 so far. The index measures how many people think the stock market is likely or very likely to rise in the next six months to one year. The index was set at 100 in March 1991, and has now fallen to 88.3.

The highest point since it started was reached at the time of the general election in 1992. When the June figures are broken down into political affiliations, they show that confidence fell among all groups except Labour voters, whose confidence grew by 4 per cent.

The Telegraph's sharp decline

Telegraph shareholders have seen the value of their holdings decline by almost half from their peak last month, as the newspaper this week entered a price war with The Times, cutting its daily cover price to 30p. The Times responded with a cut to 20p.

Other newspaper groups' shares also suffered. The Stock Exchange has launched an investigation into the circumstances surrounding the Telegraph's price cut. Hollinger, the Canadian publishing company controlled by Telegraph proprietor Conrad Black sold £73m-worth of shares a month ago, when the share price was 587p. Hollinger now owns 57 per cent of The Telegraph, down from 66 per cent.

Rap for building societies

Building societies were told this week to improve their practices in relation to mortgage protection policies and to make clearer their written explanations of the terms for fixed-rate mortgages. The annual report of the building societies ombudsman scheme described some documentation relating to fixed rate mortgages as "deceitful". On mortgage protection, it urged societies at least to comply with the code of practice issued by the Association of British Insurers.

Overall, however, Ediel said that the number of complaints the scheme dealt with fell by just over one-third last year to 901, reflecting a trend of more grievances being settled by agreement.

He added also that although the number of complaints about mortgages was rising, there had been a sharp drop in complaints about investments, as societies had improved their practices in telling customers about the interest rates in obsolete accounts or in simply moving them out of obsolete accounts altogether. From 1 July, the ombudsman will have greater powers, as his remit will extend to complaints about a society's conduct before a mortgage or investment is completed, if the transaction then goes through.

Smaller companies slide

Smaller company share prices continued to slide. The Hoare Govett Smaller Companies Index (capital gains version) fell 1.6 per cent to 1644.77 over the week to June 23.

Wall Street

Dollar dashes hopes of crisis-free summer

The dollar returned to plague the stock market again this week, less than two months after Wall Street traders thought they had put the US currency's troubles behind them.

It was in early May that the dollar last took centre stage, when its sharp decline spurred central bank intervention to halt the slide. At the time, the stock and bond markets both took big hits. Investors sold securities amid fears that the Federal Reserve would have to raise interest rates to protect the dollar. When the Fed did that, and the dollar stabilised, Wall Street looked forward to a summer free of crises.

Those hopes were dashed this week, when another big drop in the US currency's value - on Tuesday the dollar fell to a post-second world war low against the yen of less than 100 - sent stock prices plummeting. Apart from a brief midweek respite, the Dow Jones industrial average spent the week on the retreat.

By 10am yesterday, the Dow had fallen 120 points, or 3 per cent, in slightly more than four days' trading. Although

bond prices fared a bit better over the period - the yield on the benchmark 30-year bond edged slightly higher from 7.4 per cent at the start of the week to 7.5 per cent early yesterday - the mood remained nervous, even with encouraging news on inflation.

The reasons for the stock market's decline were relatively straightforward. While a weaker dollar pushes up import prices, investors were not so much worried about imported inflation as they were about the possibility that the Fed would have to raise interest rates again to stop the currency from falling further.

Although yesterday's intervention by central banks enabled the dollar to bounce off its overnight lows against the yen and the D-mark, investors clearly believed the odds on another interest rate increase have rapidly shortened, judging by their frantic selling of stocks and bonds on Friday morning.

By 11.30am yesterday, the Dow had fallen more than 50 points, and the benchmark 30-year bond had dropped one and a quarter points, pushing the yield above 7.5 per cent.

Dow Jones Industrial Average

Source: FT Graphix

The fact that stock and bond prices continued to fall while the dollar was staging a modest recovery suggested that there was something more to the markets' decline than just currency and interest rate concerns. That something more was almost certainly earnings; investors have been unmoved by recent profits warnings from US companies, and with interest rates apparently head-

ing even higher, the outlook for corporate earnings is suddenly darkening.

The message of technology stocks this week was a good example of how fears of weakening earnings are undermining confidence in stocks. The rout started on Tuesday when Lotus Development announced that its second quarter profits would come in well below analysts' expectations. The news

wiped 28 per cent off the value of Lotus' shares in a single day, and sparked heavy selling throughout a technology sector already weakened by estimates of slowing computer orders and sluggish consumer demand.

After a brief recovery on Wednesday, technology stocks fell further as funds had news about a single company (a broker's downgrade of Cisco Systems) sent shock waves throughout the sector. The declines were most pronounced among Nasdaq market stocks, and by Thursday's close the Nasdaq composite index had dropped to its lowest level since last July.

The dollar's fall, the prospect of higher interest rates, the possibility of a slowdown in earnings growth, and more sudden and sharp sell-offs in the stock market have all made for a dispiriting start to the summer. As Thomas Gallagher, managing director of capital commitment at brokerage firm Oppenheimer, said yesterday: "People are starting to lose some meaningful money in stocks and they are getting nervous."

There are pockets of sun-

shine amid the gloom, however, most notably in those sectors where takeover activity is still buoyant. Cable television stocks remain favour of the month, thanks to the string of recent deals involving telecommunications and cable TV companies, and the financial sector has also been lively.

Holders of Chicago-based financial services group Kemper were particularly happy this week when, out of the blue, a counter offer to GE Capital's near-\$3bn takeover bid emerged from Conoco, a little-known insurance holding company from Indiana. Kemper shares jumped 33% to \$62.4 after Conoco offered \$3.25bn cash and equity for the company. Although Conoco said its offer would only stand until tomorrow, it was enough to scare off GE Capital, which quickly withdrew its bid.

Patrick Harrington

Monday	3741.90	-34.58
Tuesday	3707.57	-33.93
Wednesday	3734.77	+16.80
Thursday	3689.88	-35.68
Friday		

The Bottom Line

Steel's surge makes City beam

British Steel

Share price relative to the FT-SE-AI-Share Index

Source: FT Graphix

Admittedly, pre-tax profits are likely to be much higher this year. Edward Hadas, analyst at Swiss Bank Corporation, has raised his forecast from £265m to £290m and says British Steel could make £430m in fiscal 1995.

The dividend for the present year could be 3p a share or even 4p, and 5.5p for the following year.

Achieving that big rise in profits will be down mostly to getting better prices rather than increasing volumes. Hadas believes British Steel's average prices could rise by 5

per cent this year. With an improved sales mix, that would be enough to achieve the predicted rise.

He points out that, in the second half of fiscal 1994, the company's operating profits were already running at two-thirds of the required rate, excluding the £24m provision for the fine imposed by the European Commission for the company's part in an alleged steel beams cartel.

For its part, British Steel says it has a reasonably good order book and demand in the UK is rising steadily, although the construction market is lagging behind the automotive sector.

Importantly, the downturn in the continental European market appears to have halted.

But all these developments seem to be reflected already in the share price and Hadas says

that, on a prospective price/earnings ratio of about 8 for fiscal 1995, the present price is "pretty fair".

Most analysts now view British Steel as a "hold" and there are few "buy" recommendations. Perhaps the time to do that has passed long since.

Looking beyond the immediate outlook in the steel market, there are both good and bad signs for investors. On the debit side, it is probably wise not to expect much from the European Union's heavily-criticised rescue plan for the steel industry.

Capacity cuts will not in themselves bring financial salvation to the industry and pledges, in any case, have yet to be implemented.

More positively, the possibility of a \$100m investment in a steel plate mill in the US will be an important step for British Steel and show that it is ready and able to look beyond Europe to exploit opportunities elsewhere.

It remains, too, Europe's low-cost producer per excellence.

Andrew Baxter



## FINANCE AND THE FAMILY / PENSIONS

**F**or most consumers, the government's package is a good deal. From April 1997, when the laws come into effect, company pensions will be more secure and personal pensions will be more attractive. But the regulatory regime is not as rigorous as the system proposed by the Goode report (see right).

Here, we look at what the government has in mind.

**COMPANY SCHEMES**

■ **Is my pension more secure?**  
Yes. A series of checks and balances will ensure that employers, trustees and the professionals involved in the scheme do their legally defined jobs.

■ **Will the law be enforced properly?**  
Not necessarily. Goode's proposals for a pro-active, independent super-regulator have been weakened seriously. Instead, the regulator will be a last resort. Moreover, instead of receiving independent funding from the government, he will be funded by the very schemes he is supposed to police.

■ **Will the value of my pension change?**  
Yes. The good news is that pensions must increase each year in line with inflation (capped at 5 per cent). But this will apply only to benefits built up from the date the law comes into effect.

The deferred pensions of early leavers – ie, the benefits left behind when an employee changes jobs – will be reduced in some cases because the new law will sever the link between occupational schemes and the state earnings-related pension scheme (Serps).

Most company schemes that link pensions to salaries contract the entire scheme membership out of Serps and pay reduced National Insurance contributions. To qualify for this, they must provide a replacement pension at least as good as Serps.

This "guaranteed minimum pension" (GMP) normally must increase in line with earnings inflation or 7 per cent a year for early leavers who have deferred pensions.

After April 1997, schemes contracted out of Serps will no longer have to provide that guarantee. Instead, they must increase all of the deferred pension by price inflation capped at 5 per cent. Where the GMP is a significant proportion of total pension, this will reduce the overall level of inflation proofing.

■ **How are transfer values affected?**  
The law will allow schemes to calculate transfer values for younger members on a less favourable basis, so they could get less than at present.

■ **Will I get my pension if my employer goes bust?**  
Yes, but it could be reduced. The government has adopted most of Goode's proposals for a minimum solvency standard to ensure that, if the scheme terminates, there will be sufficient assets to pay members a transfer value and to secure payment of existing pensions.

Bear in mind, however, that the calculation of transfer values for younger

...THE GRIN REMAINED SOME TIME AFTER THE REST OF IT HAD GONE.



## Better – but not ideal

Debbie Harrison looks at this week's White Paper on pensions

members will result in lower payouts.

■ **Will I receive full compensation in the event of fraud or theft?**  
Not necessarily. The compensation fund will bring the fund up to 90 per cent of the solvency level, but this may not equate to 90 per cent of your full benefits.

■ **Will I have a greater say in running my scheme?**  
Yes, but not as much as Goode recommended. Members of all types of scheme will be able to elect at least one-third of the trustees. Goode wanted two-thirds for schemes where the investment risk falls on the individual.

■ **Will I get better information?**  
Yes, but it is up to you to complain if you do not understand.

■ **Will there be better ways to resolve disputes?**  
Yes. You should take the initiative and complain to the regulator if your company's disputes system is ineffective.

Caveat emptor: Alan Pickering, a consultant with actuary Watsons, says the

regulatory regime will not be as rigorous as that proposed by Goode. "Scheme members must take more trouble with their pension arrangements than they do now," he stresses. "A lot is at stake. It is in members' interests to understand their benefits and to watch out for any warning signs."

**PERSONAL PENSIONS**

There are two major changes here: age-related rebates and flexibility on the timing of the annuity purchase.

■ **Who will benefit from age-related rebates?**  
At the moment, the rebate of NI contributions for employees who opt out of Serps is a flat rate, apart from a small bonus for employees age-50 and over.

The value of the Serps benefits increases with age, so at present, the rebate is good value for younger employees. For older employees, Serps is better.

Age-related rebates will certainly improve the terms for older employees

but may reduce the terms for younger employees.

■ **Why do we need flexibility in the timing of the annuity purchase?**

At present, you must buy your annuity immediately on retirement. Annuity rates, based on gilt yields, fluctuate dramatically. If you buy at the wrong time, your income could be reduced by as much as 30 per cent.

After April 1997, you will be able to delay the purchase until up to age-75 and, in the meantime, draw down an appropriate annual income from your pension fund. The remainder of the fund will continue to benefit from investment returns.

William Burrows, director of Annuity Direct, says: "These proposals overcome the main disadvantage of the present rules which force people to buy annuities when they retire, even though annuity rates may be very low."

Until 1997, there are existing opportunities for those who want to defer the annuity purchase, but you should seek expert advice."

## What's Goode for you...

**R**obert Maxwell's raids on his group's pension funds forced the government to review the law intensively to find how to improve protection for scheme members. In October 1993, professor Roy Goode, chairman of the government-appointed review committee, produced a 1,000-page Pension Law Reform Report containing 218 recommendations.

The White Paper published this week set out which of the proposals the government would adopt in full, which it would water down, and those it would ditch.

For most scheme members, though, there is one issue on which Goode's recommendations and the White Paper measures will be judged: namely, to what extent has the security of pensions been improved?

How do the government's plans accord with the report?

**GOODE'S PROPOSALS IN BRIEF...**

■ A pensions act to enshrine in law the employer's "pension promise" and to protect members' benefits earned already. **Adopted.**

■ A pensions regulator to have supreme authority over company pensions with power to intervene and impose sanctions. **Watered down.**

■ A compensation fund to pay out in the case of fraud, theft and misappropriation of pension fund assets. **Adopted.**

■ A minimum solvency standard to ensure that, if the company fails, the fund has enough assets to meet its liabilities. **Adopted.**

■ A system to check that employers have paid their contributions. **Adopted.**

■ Greater power for the Occupational Pensions Advisory Service (OPAS) and the pensions ombudsman, plus a requirement for employers to set up internal machinery to deal with disputes over pensions. **Adopted.**

■ More power for trustees, who would also be liable to criminal proceedings if they fail to protect members' rights. **Adopted.**

■ A statutory requirement for members to be represented on trustee boards – up to one-third for final salary schemes and two-thirds for money purchase schemes. **Watered down.**

■ Greater access by members to information, which should

be explained in plain English. **Adopted.**

■ **...AND IN DETAIL**  
Pensions act and regulator. Goode recommended that trust law, which separates the pension fund legally from the company's assets, should continue but should be strengthened by a pensions act administered by a regulator.

Since trust law is complex and ill-defined, the act would enforce the "pension promise" – that is, members' basic rights to a pension based on past service and contributions paid. Employers would be required to make clear their pension obligations in the contract of employment.

The act would make clear

*Last October, a committee set up by the government produced a report containing 218 recommendations. Debbie Harrison looks back...*

the trustees' primary duties to members and their families. To enforce it, Goode wanted a regulator with absolute authority over occupational schemes and power to intervene and impose sanctions on wrongdoers.

■ **Compensation scheme.** Goode recommended that this should cover all occupational pension schemes with an identifiable fund, including schemes run by insurance companies. The scheme would not offer protection on an all-risk basis, though.

Instead, it would pay out in the case of proven fraud, theft and other misappropriation. Other events, such as bad investment decisions leading to insolvency, would not trigger compensation.

The compensation itself would take the form of a loan repayable from any pension fund money recovered, and would be funded by a compulsory post-event levy on all schemes.

■ **Solvency.** Goode said that the level of funding backing the pension promise was crucial and recommended a minimum solvency standard to

secure the pension rights of members.

The solvency level would be monitored regularly by the trustees and scheme actuaries. If a fund fell below the minimum, there would have to be an immediate injection of cash, falling which the trustees would have to recover the funds from the employer.

Actuaries get very excited about the solvency issue. For scheme members, however, there is only one point to consider.

Since the compensation scheme would not cover all risks, the fund should – in the event of an employer going bust – have enough cash to provide adequate transfer values for present and deferred members, and to buy annuities to replace the pensions already in payment.

Deferred members are former employees who have left their pension benefits behind on changing jobs. Annuities are sold by life offices which, in return for a lump sum investment, guarantee an agreed income for life.

■ **Member trustees.** These are the legal owners of the pension fund and have a duty to pay the promised benefits to members and their families.

Goode called for more representation for members on trustee boards, except for very small schemes.

At present, an estimated one-third of schemes appoint trustees solely from the company's management – a system that can lead to abuse.

Goode recommended that where the investment risk fell on the employer – as is the case with schemes that link the value of the pension to employees' final salary – the balance of power should be retained by the employer, which should have a two-thirds majority on the trustee board.

Where the investment risk fell on the individual – as is the case with money purchase schemes that offer pensions based purely on investment returns – the balance of power should be held by scheme members, who would form a two-thirds majority.

Goode also wanted trustees to have more power over the professionals they appointed to run the fund. In turn, the latter would have a legal duty to report any "serious or persistent irregularities".



### A shining prospect for investors

As South Africa enters a new era, a world of new opportunities awaits its people. New opportunities also beckon those ready to accept the challenge and potential rewards of investing in this 'reborn' nation's future.

#### An economy poised for growth

A sophisticated financial and industrial infrastructure already exists in South Africa, and conditions for stability and development can be viewed with greater optimism in the light of recent events.

Real and accelerating economic growth has replaced a deep recession, with a number of positive factors coming together at once...

- Inflation has been reduced to 7%.
- Real interest rates are expected to fall.
- The removal of trade sanctions has paved the way for increased worldwide trade.
- There is a clear upturn in the commodity cycle.
- Business and consumer spending are recovering strongly.

Please remember that the price of units may fall as well as rise and investors may not get back the amount originally invested. South Africa is a re-emerging market and, as such, investment there should be viewed as high risk and subject to volatility.

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## FINANCE AND THE FAMILY

**L**ike a large ocean liner sailing calmly onwards while smaller vessels founder in increasingly choppy seas, 3i announced the terms of its long-promised flotation this week. Despite heavy falls in the London market, the bank-owned venture capital company refused to be diverted.

Retail investors are to be offered up to £178m of equity from its £711m flotation at 272p a share. The company and its advisers are not too worried about whether they take it up, since the institutional funds which are buying the other £533m are prepared to soak up any excess.

It was difficult to find too

## 3i floats as others founder

John Gapper analyses the prospects of a venture that is looking to the long term

many sceptics about the value of the 3i offer this week. The company, which is the largest European investor in unquoted companies, has attracted a lot of interest from professional investors.

The shares were priced at a 13.5 per cent discount to net assets. This is a little more expensive than other quoted investment trusts, the sector it is joining for tax reasons, but advisers say its portfolio is

worth more than others because of its bias towards smaller, unlisted UK companies.

Since institutional funds bid for £1.2bn at the offer price after being canvassed on a range of prices, 3i's advisers are confident of a good "after-market" in the shares. In other words, they are expecting at least an initial rise above the offer price when dealing starts on Monday July 18.

The institutional funds have been attracted by several aspects of 3i:

- Because it is so large, with a market capitalisation of £1.58bn at the offer price, it is likely to enter the FTSE 100 (Footsie) index later this year. This gives it an automatic appeal, because most funds need to have 3i shares to give them a weighted holding of the index.
- 3i's range of investments in

3,500 small and medium-sized unquoted companies gives investors a rare chance to make an indirect investment in the sector, which tends to outperform the overall growth rate as the economy recovers.

■ The company appears to be managed effectively and, unlike the seven high street banks which have owned it until now, has not made any significant lending blunders.

These factors have helped to attract significant interest among the more affluent individual investors (whom 3i's advisers have dubbed "Jeremies" in contrast to the more down-market Sid who was targeted for the British Gas privatisation). Some 385,000 individuals pre-registered for details of the offer.

Unlike BG and other utility privatisations, though, 3i does not offer the same possibilities for making a quick profit. "This is not a stagging issue," says one analyst.

Ewen Macpherson, 3i's chief executive, adds: "We are looking for investors who know what they are doing and are buying for the long term."

In its £2m marketing push, 3i targeted people who would hold shares as part of a portfolio. The "Jeremies" it seeks will have to spend at least

£1,020 on a 3i stake - the value of the 375 shares which have been set as the minimum investment - but the company has estimated there are 1m such investors.

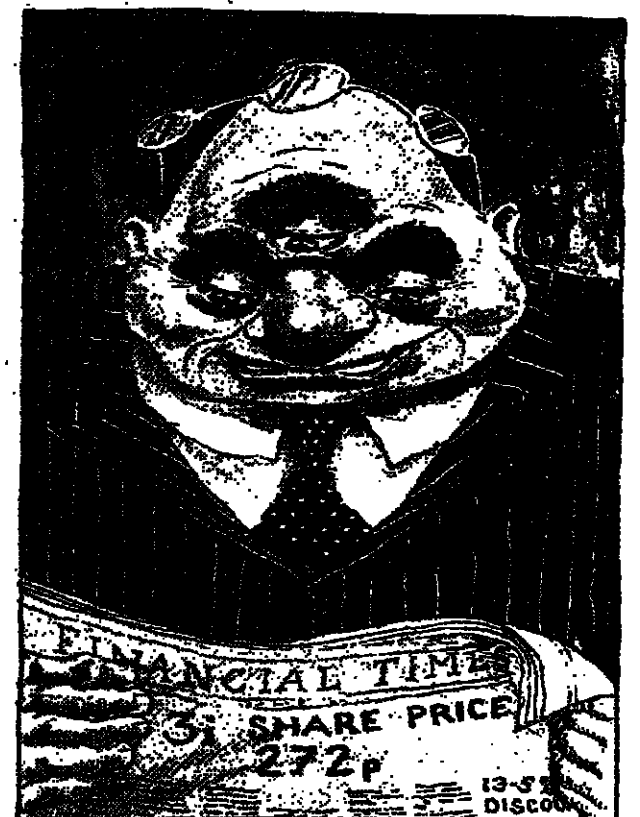
Arguing that an investor in the UK small company sector is taking no risk might seem odd, given the wave of small company failures early in the 1990s. Yet, 3i's risk is less than might appear, given the spread of its investments across regions and industrial sectors.

Academic studies have found that 3i's portfolio is less volatile than any individual industrial sector or quoted company. Nonetheless, the gearing effect - under which small companies perform better than the average in recoveries and worse in recessions - should be taken into account.

One analyst argues that there are two possible approaches to 3i for an individual investor. One is to treat the shares as a long-term investment through rough and smooth. A more adventurous one is to buy in recovery and try to sell at the point when an economic downturn is about to strike.

The implication of either approach is that 3i is floating at a good time for investors. The biggest gains from economic recovery are past - but 3i points out, in its note on prospects, that the health of its British portfolio "has steadily improved in the past year", a trend which is continuing.

Share applications are available from Lloyds Bank, the reg-



istrar, and must be submitted by July 6. The allocations of shares will be announced on July 8, and share certificates will be sent on July 15.

■ This week's other new issue, Eurodollar, is examined in UK Company News.

NEW INVESTMENT TRUST LAUNCHES													
Manager (Telephone)	Broker	Sector	Warrants	Size £m	Yield %	P/E Ratio	Share Price	Minimum Investment	Annual Dividend	Annual Growth	Initial Charge	Other Period	
<b>INVESTCO Japan Discovery</b>													
INVESTCO Asset Management (0800 010333)	Pennine Gordon	Japan	1.5	n/a	No	Yes	100p	95.1p	1,000	1%	n/a	14/7/94-29/7/94	
Specialising in Japanese smaller companies, to be run by manager of Investco's Japan Smaller Companies unit trust													
<b>Old Mutual South Africa Trust</b>													
Old Mutual (071 772 2173)	Smith New Court	Emerging Mkts	1.5	50	n/a	No	No	100p	95.5p	1,000	1%	n/a	23/8/94-1/7/94
The UK's first South African investment trust, specialising in smaller and medium sized companies													
<b>Schroder Japan Growth Fund</b>													
Schroder Investment Management (0800 525535)	Smith New Court	Japan	1.5	100+	n/a	No	Yes	100p	95.5p	2,000	1%	n/a	7/6/94-30/6/94
General Japanese fund from the Schroder stable, which already runs several Japanese unit trusts													
<b>3i</b>													
3i (0645 313131)	Baring Brothers	Venture Cap	n/a	1.5bn	3%	No	No	272p	314.4p	1,020	n/a	n/a	22/6/94-5/7/94
The giant investment capital fund finally comes to market as the banks sell part of their stake													

## Diary of a Private Investor The right to be informed

**S**hare dealing in the UK is under close scrutiny. In February, the Securities and Investments Board (SIB), the industry's watchdog, issued a discussion paper on "Regulation of the United Kingdom Equities Market". The deadline for submissions has just ended.

The paper noted: "There is analysis which suggests that retail dealing costs are high when compared with institutional dealing costs and are also high when compared with retail dealing costs in other European equity markets."

Early this month, it was announced that the Office of Fair Trading had begun an investigation into market-making in shares on the London Stock Exchange. It remains to be seen if either inquiry benefits private investors. But one section of the SIB paper dealt with "well informed markets" and commented: "Market regulation should aim to enable market participants and users to be well informed for the purposes of making their trading conditions."

As private investors pay more than institutional investors to deal in shares, surely they should be treated better when it comes to getting information from companies. At present, institutions are allowed swifter access to information (and given more of it) than private investors.

There is, for instance, the matter of annual general meetings. Far too many start at highly inconvenient times - such as 9.30am in London or 10.30am in Glasgow. This means that many private investors cannot attend unless they are willing to spend money on setting off the previous day from their distant homes and staying overnight.

Unless there are good reasons for holding early-morning AGMs (and I cannot think of any), they should start no earlier than 11am.

The timing of certain comments and announcements also leaves much to be desired. If, for instance, a company's directors wish to discuss their results with analysts on the day of an AGM, this should not happen before the meeting

and/or the release to teletext services of the chairman's AGM statement.

For that matter, many companies do not make enough use of teletext on BBC 2 and Channel 4. Any major announcement by a company to the stock exchange should go to teletext simultaneously.

I would also like very much to see a ban on companies making non-urgent announcements to the stock exchange at times - such as Friday afternoons before bank holidays - when press coverage of them is likely to be limited.

The same goes for companies which announce poor results. These should have the widest possible publicity. So, why are companies allowed to publish them on a Friday afternoon or (worse still) on Christmas or New Year's eve? Institutional investors get the facts almost immediately via their trading screens. But the poor private investor could well have to wait several days before a press report appears.

Indeed, companies should be forced to send all shareholders (by first class post) full details of any "bad news" results at the same time they are delivered to the stock exchange.

Then there is Crest, the proposed new share settlement system, and the moves to rolling settlement within a strictly limited time. These will force many more private investors to use nominee services.

As a result, company reports and circulars will go straight to the nominee rather than private investors. Anyone using such a service should have the right to demand that listed companies send such reports and documents direct to investors - and at no extra cost.

SIB's discussion paper said: "To a greater extent than in the case of any other national securities exchange, trading on the London Stock Exchange is dominated by institutional, large size dealing..." Perhaps if some (or all) of the above suggestions were implemented, the situation might improve for private investors.

Kevin Goldstein-Jackson

Schroder Japan Growth Fund plc

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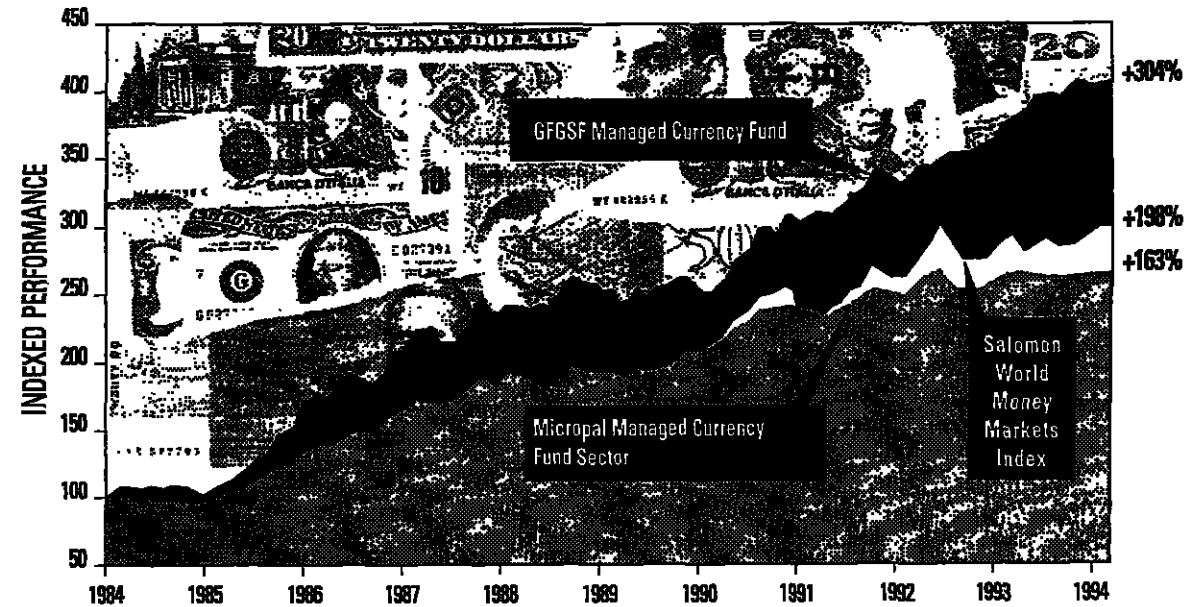
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## FINANCE AND THE FAMILY

## Where discipline rules and mavericks are out

There are no maverick managers at Schroders, according to John Henderson. He is managing director of Schroder Personal Investment Management (SPIM), the private client arm of the merchant banking and investment management group.

"This is a very disciplined and conservative house," adds Henderson, who describes its style as "research-driven, low turnover, international." He adds: "All the investment managers follow the Schroder house view. They have the opportunity to feed in their thoughts as to the relative attractions of a sector but, once the committees have decided the direction Schroders should go, everyone follows."

Take last year, when Schroders decided to reduce its Pacific rim investments and increase its exposure in Japan. The shift in asset allocation was reflected in every Schroder portfolio; only the percentage weightings varied to reflect a client's particular requirements.

Schroders has 383 managers and analysts world-wide, and 1,000 investment staff. "With 35 offices in 27 countries, I would suggest that we are the most international of the merchant banks," says Henderson. This international dimension no doubt owes something to the philosophy of the company's founder, John Henry Schroder, who moved to London from Hamburg in 1804.

The bank made its first

investment in Japan in 1870 and established a New York presence in 1923. Today, more than half Schroders' 3,900 staff, and 50 per cent of its operating capital, are employed in offices overseas. SPIM manages portfolios in 10 currencies, tracking many different benchmarks, and Henderson describes the growth in overseas clients as "spectacular".

The team approach is central to the company's management of private client money. Each client is looked after by three managers - an investment director, an investment manager and an administrator - who decide overall investment strategy and diversification. Long-term strategy is determined by the senior directors, advised by the Schroder economists and the heads of regional equity and fixed interest teams, while tactical asset allocation is the preserve of a specialist team.

Present portfolio weightings are: equities (55 per cent); North America (4 per cent); Japan (10 per cent); other Far East markets (5.5 per cent); continental Europe (7.5 per cent); and emerging markets (4 per cent).

Stock selection is delegated to other specialists and there is a selected equity list of 195 shares. Any stock not on this list is on trial, Henderson says. "Investment managers know that if they want to invest in something that is not on the SEL, their necks are on the block."

Seeing how other people manage money helps you to manage your own better. That is the theory behind our new series by Joanna Slaughter on private client investment managers.

To get the most from the series, you should note carefully what the managers do and what they avoid. As professionals, most of them invest according to a definite system. They will, for instance, have a method for deciding on overall asset allocation - which countries and which types of shares. And they will have another for picking individual shares. They do not rely on hunches or insider information.

Over the next few weeks, we will be talking to a selection of firms in the City of London. This week: Schroders.

Certainly, managers who do not provide performance for private clients appear to have no hiding place. The three executive directors of SPIM review individual portfolio diversifications at least each quarter and monitor the comparative performance. Schroders has been managing private client money since the turn of the century and it still looks after the descendants of its first customers. Henderson describes the company as "a family bank" where "people stay and clients form a relationship with an investment management team that can last for generations".

Solicitors and accountants are the source of 80 per cent of all new clients, and Henderson is used to fighting the firm's corner in fiercely-contested beauty parades. Last year, Schroders won 106 new private clients and lost one - a Swiss, who was unhappy with the

house emphasis on equities. Henderson says: "If we do a good job for the client of a solicitor, he will put us in the beauty parade when another client comes along. We are never handed anything on a plate. It is a jungle out there."

Even the Schroder name does not necessarily open doors. "Most people think we are a German kitchen manufacturer," Henderson notes. Clients' annual fees are based on the size of their portfolios and the complexity of their demands. Henderson points out: "We have the best incentive to make the portfolio perform well, and to minimise risk. We have no conflict of interest."

Although Schroders has a large derivatives team, it uses only currency hedges for private clients. Henderson says: "We very rarely hedge out of the base currency of the portfolio, and we have no currency

hedges outstanding at the moment for our sterling clients. We want to stick to what we have a record of doing well, which is fundamental investment management and fundamental sector research."

An initial £100,000 is needed to become a Schroder private client, and individual client money ranges from this minimum figure to £100m. It is something of a surprise, therefore, to learn that nearly all clients invest to some extent in Schroders' own products.

"We have portfolios of £20m invested entirely in our unit trusts," says Henderson. "There is often a misconception among the public that unit trusts are only for the smaller investor and, of course, a unit trust does not have the same excitement at the golf club as a portfolio of shares. Yet, the bigger the client, the bigger the tax and administrative benefits of a unit trust."

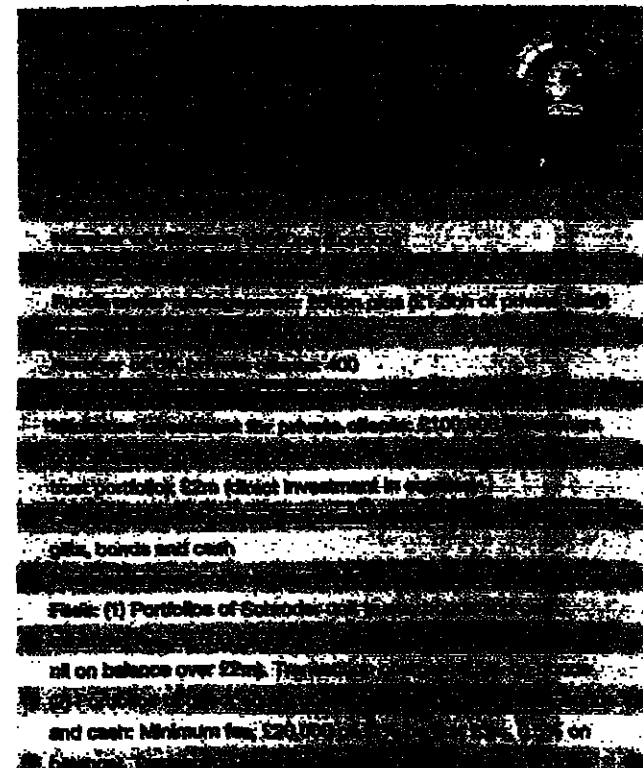
The core unit trust for private clients is the £50m Schroder World Fund, which is open also to any non-client with £1,000 to invest. The fund, which has 280 stocks in its portfolio and is used for all private clients with less than £500,000, produced a return of more than 30 per cent last year, and its geographical diversification makes it a shop window for the firm's investment skills.

A "cocktail" of Schroder unit trusts is constructed for those with assets of more than £500,000. Direct equity investment usually is confined to clients with more than £2m.

The Schroder view is that portfolios should include at least 25 stocks in each market sector, and Henderson argues that the risk of a direct equity investment is too high for any investor with less than £2m. "It doesn't give any scope to trim the holding and it restricts the flexibility of the manager, so clients do not get the added value that Schroders should be able to bring."

Liquidity in clients' portfolios is low but managed actively, Henderson explains: "Because we are long-term, cautious and conservative investors, if a client needs funds in the next two years, we will raise the money today and hold it in low coupon, short-dated gilts."

"We will always have at least 10 per cent of the portfolio at 24 hours' notice. Nothing is locked in for longer than one month unless the client has



sanctioned us to invest in venture capital."

Prospective private clients certainly need to be convinced of the Schroder investment pedigree because they may be asked to liquidate their existing portfolios so the firm's investment managers can start with a clean sheet, especially if the unit trust route is to be followed.

Henderson concedes that this is a tough requirement. "Liquidation crystallises capital gains for taxpayers, and there is no way round that. But we would urge clients to do it, for it will enable us to hold the things in the portfolio that we like. The client has to decide whether it is worth taking the initial hit for the benefits that Schroders can bring."



## The acceptable face of insurance

Anthony Bailey finds that an industry hit by bad publicity has its good points, too

There is a danger that bad publicity surrounding the life insurance industry will deter consumers from buying much-needed products. The most basic of these is life insurance, although it goes under less obvious names such as "term" and "protection-only" insurance.

The problem is that life insurance has strayed far from its roots. Much of the premium income earned by life companies does not pay for insurance but, instead, is invested to produce a return. Yet, policies which avoid any link with investment can be basic tools of financial planning. "The most obvious area for life insurance is to provide protection. We give the cheapest and best organised term insurance in the world," says Peter Smith, of financial adviser Hill Martin.

Term or protection-only cover is essential for anyone whose death would leave dependents worse off. That usually means the main earner, but it can be worth buying cover for a non-working spouse as well if his or her death would mean extra expense for such things as child care.

There is a range of policies on the market which pay out lump sums or fixed incomes or can be used for increasing incomes. A competent adviser should be able to suggest the most suitable. Short-term policies can be used in conjunction

with inheritance tax planning. Mortgage protection policies are a variation on the lump sum theme. Designed to settle an outstanding repayment mortgage, the level of cover decreases as the outstanding capital diminishes. This can make them especially good value.

Critical illness cover is a relatively recent development which might appeal even to those without dependents. It works in much the same way as term insurance, with the crucial difference that it will pay out before you die if you get a specified serious illness.

Permanent health insurance also pays out while you are alive. The payment comes as income and is not restricted to serious illnesses. It is a form of sick pay, and should be considered by the self-employed and those who work for an employer with a negligently sick pay scheme.

Getting advice on the best policy, however, is more important than with some other life products. You have to make sure you get a policy which starts paying out when you will need the money as there are different deferment times - the first period of an illness when nothing is paid. You also need to watch out for exclusions.

Private medical insurance is another area where life companies have become more active in recent years. Bupa (the British United Provident Association) is generally synonymous

with this type of insurance and remains the market leader. These days, though, there is a wide choice of policy and premium, from budget cover (to beat National Health Service waiting lists) to Rolls-Royce cover (which pays for most things, including stays in exclusive private hospitals).

What about those policies which provide investment? The illogical combination of investment with insurance has evolved for two reasons:

■ Tax relief on premiums, coupled with taxation of a life fund's investment returns (especially in qualifying policies) did provide a degree of tax efficiency - although mostly for higher-rate taxpayers. But premium tax relief was abolished 10 years ago. Meanwhile, Peps and Tassas now give better ways of sheltering returns from tax.

■ Life companies believe that policies which pay out only on death are hard to sell. Investment-linked insurance promises a return even if people survive. But life company claims that they ensure people get life cover by selling them invest-

ment plans are, largely, specious.

Even where there is significant life cover, as with endowments linked to mortgages, many people surrender policies early. And many policies have minimal life cover, providing instead long-term, inflexible and tax-inefficient savings schemes.

Unfortunately, there are no serious plans to decouple insurance and investment. So, life company promises to clean up their act and ensure sales staff are better trained in future look hollow. They will still sell products unsuitable for most people.

Are there ever good reasons to link investment with insurance? Smith is hard put to find them. He suggests that, in some cases, it can be used in inheritance tax planning, while the smoothing effect of with-profits policies might appeal to investors who, otherwise, would not be able to sleep at night.

Favourable tax treatment within the fund may make single premium bonds tax-efficient for those who pay higher-

rate tax and capital gains," Smith adds. "But such people usually have substantial assets, are more likely to want a conventional portfolio, and can make use of other tax shelters."

Two products are highlighted as possible buys by James Higgins, of adviser Chamberlain de Broe. "A few companies offer insurance bonds which allow investors to put their own portfolio of investments," he says. "The internal taxation of the bonds can be favourable, but the charges levied by the companies make them suitable only for people with very substantial portfolios."

For the same reason, Higgins says there could be a case for substantial investors to pay into a regular-premium maximum investment plan, particularly as a precaution against future increases in personal taxation. "But, for most people - including most higher-rate taxpayers - insurance bonds are a bad idea. They should look at Peps, unit trusts, investment trusts and National Savings instead," Higgins adds.

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### Your CGT allowances

The table shows capital gains tax indexation allowances for assets sold in May. Multiply the original cost of the asset by the figure for the month in which you bought it.

Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose you bought shares for £5,000 in September 1985 and sold them in May 1994 for £14,000. Multiplying the original cost by the September 1985

figure of 1.516 gives a total of £7,580. Subtracting that from £14,000 gives a capital gain of £6,420, which is within the CGT allowance of £2,500.

If selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in May was 144.7.

The Budget decision that indexation cannot be used to create or increase losses for shares sold after November 29 1993 has been modified for £10,000 of transitional relief.

#### CGT INDEXATION ALLOWANCES: May 1994

Month	1982	1983	1984	1985	1986	1987	1988
January	-	1.792	1.866	1.587	1.503	1.447	1.401
February	-	1.744	1.659	1.574	1.498	1.441	1.395
March	1.821	1.741	1.654	1.559	1.496	1.438	1.390
April	1.778	1.717	1.632	1.527	1.482	1.421	1.368
May	1.773	1.710	1.625	1.520	1.475	1.420	1.363
June	1.768	1.706	1.622	1.517	1.480	1.420	1.357
July	1.767	1.696	1.624	1.518	1.484	1.421	1.358
August	1.767	1.689	1.609	1.515	1.479	1.417	1.341
September	1.768	1.681	1.606	1.516	1.472	1.413	1.335
October	1.759	1.675	1.596	1.514	1.470	1.406	1.321
November	1.751	1.670	1.591	1.509	1.457	1.399	1.315
December	1.754	1.665	1.592	1.507	1.453	1.401	1.312

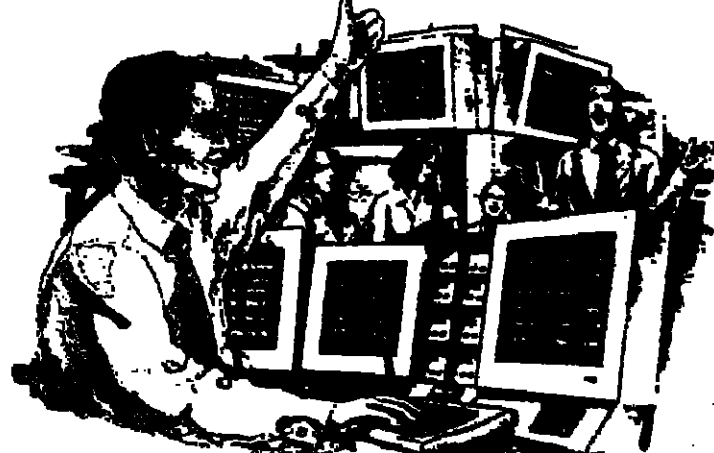
  

Month	1989	1990	1991	1992	1993	1994
January	1.304	1.211	1.111	1.057	1.049	1.024
February	1.294	1.204	1.105	1.052	1.043	1.018
March	1.289	1.192	1.101	1.058	1.039	1.015
April	1.286	1.187	1.097	1.054	1.035	1.003
May	1.258	1.147	1.084	1.039	1.028	1.000
June	1.254	1.142	1.079	1.033	1.022	1.000
July	1.253	1.141	1.081	1.033	1.022	1.000
August	1.250	1.130	1.079	1.032	1.024	1.000
September	1.241	1.119	1.075	1.038	1.020	1.000
October	1.231	1.111	1.071	1.034	1.020	1.000
November	1.221	1.113	1.057	1.038	1.022	1.000
December	1.218	1.114	1.056	1.040	1.020	1.000

Source: Inland Revenue

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## FINANCE AND THE FAMILY

## Tax officer's misconduct

The combined total of my retirement and occupational pensions are below the amount necessary to absorb my personal allowance. I am, therefore, entitled to a refund of tax on my investment income.

Due to an admitted oversight in the local tax office, I did not receive a refund for 1992/93 until January this year. In the Revenue's letter of apology, it was written: "I have arranged for a tax return to be issued to you shortly after Easter this year."

When completed, you should forward your dividend vouchers with the return so that any refund due to you for the current year can be settled quickly and avoid the problems that have arisen to date.

My return was duly received just after Easter and submitted together with a claim for repayment of tax, my dividend counterfoils and March pay slip - on April 11.

But I was advised by the county council, my previous employer, that it would not be issuing P60 forms until mid-May, although I am not aware of any information on the P60 which was not on the March pay slip.

I am now told by the Revenue that it is their practice to accept form P60 and that no repayment of tax can be made to me until the form is received.

Is there any statutory authority by which the Revenue is entitled to withhold

repayment of tax, or is it simply an arbitrary decision?

No, the tax officer who refused to process your claim in April acted unlawfully and will doubtless be severely reprimanded by the district inspector.

Write a formal letter of complaint to the district inspector (whose name should be printed on the letterhead of the tax office), marking both your letter and the envelope "For the attention of the district inspector."

As you have been the victim of maladministration for two consecutive years, the inspector undoubtedly will add at least £100 to your delayed 1993-94 refund by way of token compensation for the persistent misconduct of his staff.

At the same time, you could ask the inspector for a copy of the free leaflet IR 120 (You and the Inland Revenue), and also ask him to arrange for you to receive refunds by instalments during 1994-95 and future years so that you do not have to wait until after the end of each tax year before you get any money back.

## What's in a name?

I am the sole director and majority shareholder of United Chemicals Ltd, which is now dormant. There are no debts except to myself (director's

## Q&amp;A

## BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the content of these columns. All enquiries will be answered by post as soon as possible.

loan account). The company has a tax loss of £12,000. Does the company have a sale value in respect of the tax loss and the name?

Since the disappearance of the Business Names Registry, Companies House in Cardiff (tel: 0222-380 801) issues a free booklet giving details of the procedure for registering company names.

There could well be a value in the name of United Chemicals Ltd but the market place will determine that. (Answer by Murray Johnstone Personal Asset Management).

## Keeping it in the family

To reduce the plethora of paperwork created by privatisation, I wish to rationalise my family's portfolios.

Specifically, I wish to arrange a variety of transfers to consolidate holdings within my family.

Where do I find information regarding any implications for income and, more specifically, capital gains tax? Inland Revenue literature seems unforthcoming.

The Revenue does produce a booklet concerning lifetime gifts which deals with the inheritance tax implications of such transfers, and it also produces a booklet (CGT 14) which touches on CGT matters arising from gifts.

The latest edition of the Allied Dunbar Tax Guide contains several references to the income and CGT implications of gifting, particularly to children.

## Choose your own broker

My shares are held by nominees (Barclaysbank) and, in view of the recent reinstatement of indexation on capital losses, I wish to achieve some major bid and breakfast deals. This can be done at a lower cost through one of the brokers listed in a recent (March 12) Weekend FT article.

Is this permissible and valid (share certificates are not required) or must I use the more expensive nominee brokers?

As it is not necessary to present the share certificates on bid and breakfast deals, in our opinion you can use any broker you wish. (Answer by Murray Johnstone).

## Permanent interest-bearing shares

Yields on permanent interest-bearing shares (Pibs) have risen since we last published the table a month ago, writes Bethan Hutton.

Pibs are issued by building societies to raise capital. They pay a fixed income indefinitely but are not redeemable, so investors can get back their money only by selling them on the open market.

Rising Pib yields are, generally, linked to the gilt market but variations in the price differentials between different Pibs are due more to building society factors.

The market is still reacting to the proposed take-over of the Cheltenham and Gloucester building society by Lloyds bank. Elaine Milner, a director at Hoare Govett, says the main impetus behind market movements recently has been speculation over which building society could be the next target for take-over.

But, she adds, investors' principal motivation is not the cash incentives sometimes

offered during a take-over, such as the £250 promised initially to those at C&G holding Pibs in the Lloyds take-over.

Instead, investors are

prompted by the better credit ratings of Pibs issued by larger institutions.

If a small society is taken over by a large one, it becomes more credit-worthy and the

price of its Pibs will increase. This has increased demand for the Pibs issued by the smallest societies such as the Skipton, Newcastle, Cheshire and Leeds Permanent.

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Britannia BS	Capital Trust	0538 391741	Postal	£2,000	6.00% Y/y
Leeds & Holbeck	Albion	0532 438292	Postal	£10,000	6.25% Y/y
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.60% Y/y

<b>NOTICE A/cs and BONDS</b>					
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£500	6.00% Y/y
National Counties BS	90 Day	0372 742211	90 Day	£10,000	6.80% Y/y
Chelsea BS	Fixed Rate Bond	0800 272505	30.9.99	£10,000	8.00% Y/y

<b>MONTHLY INTEREST</b>					
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.75% M/y
Bristol & West BS	Balmoral Income	0800 100117	30 Day (P)	£25,000	6.22% M/y
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75% M/y
Chelsea BS	Fixed Rate Bond	0800 272505	30.9.99	£10,000	8.65% M/y

<b>TESSAS (Tax Free)</b>					
Confederation Bank		0438 744600	5 Year	£8,000	8.00% Y/y
Hinkley & Rugby BS		0455 251234	5 Year	£3,000A	7.35% Y/y
National Counties BS		0372 742211	5 Year	£3,000A	7.25% Y/y
Milton Mowbray BS		0864 63637	5 Year	£1	7.20% Y/y

<b>HIGH INTEREST CHEQUE A/cs (Gross)</b>					
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75% Y/y
UDT	Capital Plus	081 447 2438	Instant	£1,000	4.75% Y/y
Chelsea BS	Classic Postal	0800 117515	Instant	£2,500	5.00% Y/y
				£25,000	6.25% Y/y

<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woodwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75% Y/y
Confederation Bank (Jury)	Flexible Inv	0534 680800	90 Day	£50,000	6.80% Y/y
Derbyshire & Chalfont Ltd	Investment Cert	0534 680800	5 Year	£10,000	8.25% Y/y

<b>GUARANTEED INCOME BONDS (Net)</b>					
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Prosperity Life		0800 321546	3 Year	£5,000	7.05% Y/y
General Portfolio		0279 462836	4 Year	£50,000	7.10% Y/y
Prosperity Life		0800 321546	5 Year	£15,000	7.70% Y/y

<b>NATIONAL SAVINGS A/cs &amp; BONDS (Gross)</b>					
Investment A/C			1 Month	£20	5.25% Y/y
Income Bonds			3 Month	£2,000	8.50% Y/y
Capital Bonds H			5 Year	£10	7.25% Y/y
First Option Bond			12 Month	£1,000	6.00% Y/y
Pensioners GIB			5 Year	£500	7.00% Y/y

<b>MAT SAVINGS CERTIFICATES (Tax Free)</b>					
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7th Index Linked			5 Year	£100	3.00% Y/y
Childrens Bond F			5 Year	£25	7.25% Y/y

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) CM = Interest paid on maturity. No Net Rate. P = By Post only. A = Feeder account also required. B = 7 day loss of interest on all withdrawals. G = 5.75 per cent on £140 and above & 6 per cent on £25,000 and above. H = 6.75 per cent on £25,000 and above. I = 6.40 per cent on £25,000 and above. Source: MONEYFACTS. The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Waltham, Norfolk, NR29 6BD. Readers can obtain an introductory copy by phoning 0582 500677.

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## Tough line on Tesses

When tax-exempt special savings accounts (Tesses) were launched in January 1991, they were intended to be straightforward accounts which could be transferred from one building society or bank to another.

Tesses are now in their fourth year and the situation is changing. While rates generally have fallen in line with base rates, those of the societies have held up better than banks. Rates from many banks are now down to between 4 and 5 per cent while those offered by societies are between 6 and 7 per cent.

Maturity bonuses, which were introduced to encourage investors to stay with the same institution, have not been repeated in subsequent Tessa issues. And many of the top-paying accounts will not accept transfers of Tesses due to administration costs and a desire to keep the Tesses for their full five-year term.

Higher-paying Tesses also tend to require larger opening balances. They demand the maximum permitted investment each year and, sometimes, a feeder account.

Under this system, the investor must not only deposit an initial £3,000 into the Tessa in the first year but must also put a further sum into the feeder account, from which transfers are made into the Tessa each year. This is fine as long as the feeder account pays good rates to compensate for the loss of access to funds.

Confederation Bank's Tessa, which is fixed at 8 per cent for the term, also pays 8 per cent fixed on the feeder account. But the Market Harborough society requires £9,000 to be deposited up front, and while it pays a variable rate of 7.6 per cent on its Tessa, it offers only 6.25 per cent (variable) on its feeder. Even this is tied, and drops to only 1.5 per cent when the balance falls below £2,400.

Christine Bayliss  
Moneyfacts

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## MINDING YOUR OWN BUSINESS

## Minding Your Own Business

## Scrapyard with a taste for chips

There are alarms on all the doors and windows of Bob Howes' 40ft high warehouse in the Aston district of Birmingham. But that did not stop thieves from breaking in through the roof of the 8,500 sq ft building and stealing 220,000 of precious metals.

"As the metals were uninsured and most had come from scrap printed-circuit boards I suppose you could say the chips are down," said Howes, whose "computer graveyard" is one of the biggest recycling operations of its kind in the UK.

At any time there are up to 150 scrap minisystems and small mainframe computers, plus a handful of personal computers, awaiting the attention of Howes and his three staff. Howes buys the scrapped computers and recycles the precious metals they contain, as well as some of the re-usable parts.

"You could call it a low-tech business. We simply use reversible drills, chisels and the good old hammer," said Howes, 47.

The company, Elkabor, may be low-tech but it is a high-volume operation, with a turnover of £300,000. Last year, Howes and his wife, Pauline, who is co-director, turned in a profit of just under £40,000 - one of the better years for a business that can fluctuate wildly.

"Because it is a rather up-and-down business run on tight margins the bad patches, when they come, can be very bad," Howes said. "A big robbery was the last thing we wanted at a time like this. The last six months have been particularly poor. After the robbery in May I shall be surprised if we make a profit at all this year."

He felt that, in a recession, it was his experience that scrap metal companies were often among the last to be hit. "When companies are closing down all around you there is money to be made by going round metal auctions," he said. "But now there are not so many companies

around - and those that are still in existence are carrying less stock and making sure they have less surplus to get rid of.

"Early on in the present recession, when I realised that the flow of precious metal scrap was diminishing, I started going to auctions to buy in more common metals for recycling. This helped cushion the immediate effects of the recession."

"But," he adds, "now there are fewer auctions."

Howes' warehouse rings with the sound of a minicomputer cabinet being knocked away from its contents. While the cabinet is treated as normal scrap the electronic components are removed carefully. Items such as drives and transformers are put aside for the specialist disposal merchants who visit to view and buy. Computer backplates, with their gold-plated areas, and chips, often coated in precious metals, are kept separately.

"This bit is what I call the recovery service," said Howes. "Some of these materials are worth £70-£80 a kilo. It takes a lot of experience to



Time for a byte: Bob Howes has started a business in computer scrap

material is sent off-site to be granulated. This means it is chopped into small pieces and heated to form a low-grade bullion bar. This might then be reprocessed, or the gold removed and refined.

As well as recycling computers Elkabor dismantles telephone

exchanges, usually for companies updating equipment.

Elkabor is often contacted by a local broker or scrap metal merchant - unless it hears about a job over the grapevine, "which frequently happens," says Howes. "Precious metal recycling is a complicated field, in which you need a lot of experience and a good knowledge of the trade. I often feel I am not really geared to this business as I started life doing something else - as a metallurgist working in steel rolling factories here and in Sheffield."

"Sometimes I feel I am too honest and not suited to it simply because I

am happy just making a living, and not going all-out for a big profit."

Howes described some of the problems he encountered in 1993: "I was four years into the business, having started up from home in 1989. In some instances I was putting up to £10,000 up front, only to find the material I bought-in was worth less than I had anticipated. In three instances the job was recovering copper and other precious metals from cable. As the value of the metals was lower than had been indicated we rolled the jobs over, in effect granting credit to three companies to the value of £7,000 to £10,000 each. All three companies went bump within a few months of each other."

Howes survived. And he learned a few lessons. Nowadays he puts up only 70 per cent of what customers expect.

Howes says: "However careful you are this is a business that survives on trust. Customers trust me to take away their materials and weigh them honestly when it comes to calculating the value of the metals to be recovered. I respect this."

To ensure that the new trading year is better than the current one,

## Clive Fewins visits a recycling business with a difference in Birmingham

estimate the gold content of scrap, but we usually have a good idea.

"Quite often we have an assay done on a sample of the material so the person we are buying from knows the precise value of the gold in the scrap computer. In this business you soon learn that all that glitters is not gold."

"In most mini-systems and mainframe machines there is also usually silver, palladium, and trace metals such as nickel, lead, tin, and copper from the solder. They are all worth recycling. Tantalum can also be found in the capacitors."

"Generally we process surface-plated gold, and the rest of the

exchanges, usually for companies updating equipment.

Elkabor is often contacted by a local broker or scrap metal merchant - unless it hears about a job over the grapevine, "which frequently happens," says Howes.

"Precious metal recycling is a complicated field, in which you need a lot of experience and a good knowledge of the trade. I often feel I am not really geared to this business as I started life doing something else - as a metallurgist working in steel rolling factories here and in Sheffield."

"Sometimes I feel I am too honest and not suited to it simply because I

As They Say in Europe/James Morgan  
Passion that eludes the US

Last weekend *La Gazzetta Sportiva* said: "E non si può negare l'impressione che la vittoria (non) non è stata una disgrazia". This observation on the defeat at the hands of the Irish in the World Cup, could have been taken from a barely-known opera by Puccini which I have unearthed - *Il Fanciullo del Cuore* (The Boy of the Golden Heart).

The hero, Chichirio, sings this sad aria. E non si può, having been forced to emigrate and take up American football after scoring a last-minute own goal in a European cup match against Lammormoor United. He was also rejected by his beloved Calcia. She sings *L'ultima sprangola nel grigione* (Italy plunged in gloom) quoted on page 3 of *Sportivo* when he scores an historic touchdown in the Superbowl a year later.

But not all Italy was plunged in gloom at the defeat. For the opponents of Silvio Berlusconi, the country's new leader, there was covert rejoicing. Berlusconi owns AC Milan and their players constitute the largest element in the Italian team. *La Repubblica* headlined the surprise defeat: "Italy, in the shape of Milan, beaten."

So, Ireland, in the shape of England, won; nine of the team were born in places such as Ealing, a London suburb.

There was one other country which enjoyed a startling victory last weekend - Romania. That again was an odd case of foreigners, at least a sort of foreigner, playing a crucial role. In the match against Colombia, which brought tears of admiration, there was a wondrous goal by George Hagi. The commentators spent much of the rest of the game arguing as to whether he could have meant it. (He did because he had done it before.)

Hagi turns out to be an Aromanian, a small group from Macedonia which speaks an odd form of Romanian. He is a man of few words in that language, just saying: "Keep your fingers crossed," to the mass circulation *Evenimentul Zilei* in its attempt to extract an interview.

Romania's other goals were scored by Florin Raducioiu, who was positively prolix by comparison, observing that the 3-1 victory was compensation for having kept

his compatriots up all night. The Bucharest fiesta began at around four in the morning local time, the first occasion for national rejoicing since 1940 and Mrs Ceausescu were shot on Christmas Day, 1989.

Overstated carried an even more unusual World Cup story. In the middle of the small knot of Romanian supporters at the Pasadena Rose Bowl was an emotional Dutch woman waving their national flag. Asked what she was doing there, she replied: "I am Astrid, wife of Raducioiu," which sounds suspiciously like something stolen from a Dutch-Romanian phrase book. The star striker had, it emerged, secretly married her three days before.

There has been Europe-wide speculation as to whether the host nation will become interested in what the rest of the world calls football. The consensus is that it will not - and that is no bad thing.

No one liked the opening ceremony. *La Stampa* was the most favourable, saying it was "simple, fast and cheap". Another Italian paper, *Tuttosport*, said the only good thing was that it was short, while *Sport* in Spain said the contest opened with a "raw, grim and short celebration".

A French paper, *La Nouvelle République des Centre-Ouest*, pondered how a country that had exported its culture to the rest of the world, and was largely made up of European immigrants, had remained closed to football. "America loves violent sports and high scores. It looks drawn games. A person by far the greatest passion towards the opposing goal to a subtle combination made up of fantasy and improvisation... Perhaps passions are not as universal as one would like to think."

Soccer could become a mass sport in the US if the game abandoned the offside rule, doubled the size of the goal, stopped every five minutes for bogus reasons and employed teams made up of genetic tinkers. It would not be soccer but it would appeal to TV networks and advertisers. For they will never accept the game of football as it is known to the rest of the world.

James Morgan is economics correspondent of the BBC World Service.

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## LEGAL NOTICES

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IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
BETWEEN:-  
IN THE MATTER OF HEMINGWAY INVESTMENT MANAGEMENT LIMITED  
-and-  
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 17th day of May 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £5,000,000 to £1,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buxton at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday, 6th July 1994.

ANY CREDITOR or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the reduction of the capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requesting the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 25th day of June 1994

ASHURST MORRIS CRISP  
Broadwalk House  
5 Appold Street  
London EC2A 2BA  
Reference: SAW  
Solicitors for the said Company

No. 003984 of 1994  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
BETWEEN:-  
IN THE MATTER OF HEMINGWAY INVESTMENT MANAGEMENT LIMITED  
-and-  
IN THE MATTER OF THE COMPANIES ACT 1985

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Dated this 25th day of June 1994

ASHURST MORRIS CRISP  
Broadwalk House  
5 Appold Street  
London EC2A 2BA  
Reference: SAW  
Solicitors for the said Company

No. 003985 of 1994  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
BETWEEN:-  
IN THE MATTER OF HEMINGWAY INVESTMENT MANAGEMENT LIMITED  
-and-  
IN THE MATTER OF THE COMPANIES ACT 1985

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## FASHION

**D**o you not find propriety awfully middle-aged? How often do you hear the "woman of a certain age" asking: "Is this all right. I don't look like mutton dressed as lamb, do I?"

Indisputably, there is a middle period in one's life when to look too trendy or too drop-dead sexy invites derision - the singer Cher immediately comes to mind.

But there is an absolutely certain age, by which I mean 70-plus, when a woman can wear any for-the-hell-of-it garments she likes and get

away with it. It is the privilege of age, like being able to say exactly what you think or be a "character" and, as long as she carries it off with conviction and aplomb, we all applaud madly.

I was reminded of this liberation a few months ago when I attended a party thrown by publisher Naim Attallah to celebrate the publication of Pamela Cooper's autobiogra-

phy *A Cloud of Forgetting*. Pamela Cooper is 83 and as sassy and irreverent as you will find.

Like Miriam Rothschild's mad head scarves, Diana Cooper's whoopey-droopy garden hats, or Violet Bonham-Carter's Fortuny Delphos dresses, her personal style has nothing to do with conformity.

On this occasion, most of us standing in the drawing-room of

her son, Lord Gowrie, were decorously upholstered in velvet, as stiffly posed as if still wearing coat hangers.

Pamela Cooper was dressed in a pomegranate-coloured, viscose-knit tunic top and bell-bottom trousers, bought, her grandchild explained to me, that morning from a hip teenage chainstore for "really nothing".

It looked madly nouveau-Biba, teamed with Jesus sandals and a modernistic 1960s necklace which looked like a fitting from Star Trek's Starship Enterprise.

This octogenarian was by far the most flamboyant figure in the room.

Even her demeanour spoke of the Roaring Twenties or Swinging London, for she adopted that limita-

ble "backbones are out" pose.

In her hey-day, in the 1920s, world weariness was madly fashionable and wonderful for shocking dowagers.

These days Pamela Cooper has moved on. While the pose and the attire may speak of ennui, the mind is as keen and amused as any girl recently up in town from the shires. She is lapping up the world.

There is nothing weary about her approach to life. And that is why, wearing that gear, behaving in that manner, she makes those of us in between long to be either 20 or 70.

It is the middle ground, in Major's middle England, populated with the endlessly middle-aged, in middle class propriety that makes me feel dispirited.

Show me a trucker or a toff in wildly unsuitable clothing and I will show you a good party.

Jane Mulvagh

## Why baggy shorts are down and out

John Morgan urges Englishmen to use more imagination when packing their holiday clothes

**I**t is always easy to spot the Englishman on holiday. He is the burnt one, whose clothes - an untantalising mixture of sagging swimwear and ill-chosen separates - set him apart so diametrically from most other nationalities.

Many men who dress appropriately for the office and attractively at weekends, often abandon any vestige of sartorial *savoir faire* at passport control. This is an unnecessary shame: a holiday wardrobe, like any other, requires only a little imaginative application and a modicum of self-knowledge.

The first rule of holiday dressing (assuming a reasonably sophisticated destination that offers the usual mix of beach life, sight-seeing and night life) is to remember that the same body you live with throughout the year comes on holiday too and, thus, clothes

that do not suit your shape at home will look even worse abroad.

This may seem obvious, but I am constantly amazed by how many Englishmen dress like clowns when on holiday. The right clothes make economic as well as practical sense, as they will integrate happily into your general summer wardrobe when you return home.

The second principle is to go easy on colour. The English complexion may look peerless when celebrated by Lely or Gainsborough, but does not stand up well to the harsh glare of the southern sun.

Unclothed, I, like many of my compatriots, bear a striking, and seriously unappealing, resemblance to *saumon en crouste* before it goes in the oven. Leave bright colours to others and, instead, look at soft cream, stone, ecru and white, with a few earth tones - such as terracotta and indigo for the

more adventurous.

A restricted colour palette will also help with the third prerequisite of the holiday wardrobe - interchangeability. So will sticking to clothes in plain rather than patterned fabrics. No one wants to travel with masses of luggage, yet most people pack far more than they need. Everything

although undeniably useful, is grisly to look at.

The jacket should be made of linen, which is the coolest and most breathable of cloths. Man-made fibres, no matter how advanced, should be left at home. Some of the nicest jackets come from Dries van Noten at Joseph. Made from white linen, they are unstruc-

ens, matching the Dries van Noten jacket, a pair of more substantial cotton chinos from The Gap, in khaki, stone and salt, or, more fashionably, a pair of draw string, pyjama-style pants from Voyage. These would look much more up-to-the-minute than jeans and are also more comfortable in hot climates.

*When it comes to shorts, length is crucial. Too long and you will look like a superannuated boy scout*

described here is designed to work together in different combinations, depending on weather conditions and dress codes.

So we come to the components. The first necessity is a good lightweight jacket. It is both practical and versatile and its pockets mean you need not wear a money belt which,

tured and cut fashionably long. Alternatively, plump for a more robust white cotton drill blazer bristling with antique brass buttons from Voyage, an excellent shop in London's Fulham Road selling clothes ideal for travelling.

You also need to pack a couple of pairs of trousers. These could be the lightweight lin-

ens, matching the Dries van Noten jacket, a pair of more substantial cotton chinos from The Gap, in khaki, stone and salt, or, more fashionably, a pair of draw string, pyjama-style pants from Voyage. These would look much more up-to-the-minute than jeans and are also more comfortable in hot climates.

at Thomas Burberry, Marks and Spencer and The Gap.

Margaret Howell also scores well with her understated, relaxed shirts in cotton or linen. These are cut generously, are cool to wear and can be teamed with trousers, shorts and worn as a cover-up on the beach. Also include a selection of classic polo shirts in Sea Island cotton from John Smedley and plenty of white cotton T-shirts by the American manufacturer, Hanes. Should you need clothing for a black tie occasion, an exquisitely-made, knife-pleated evening shirt from Budd, in the coolest cotton voile, is the most elegant thing you can wear.

A summer suit is also recommended. Ivory linen is always the most glamorous choice. It can be worn on any occasion when you have to dress up a little and its components can be worn separately with other items in your holiday wardrobe. Also, with the addition of the Budd evening shirt, a corded silk black bow tie and a pair of patent pumps, it will convert into an acceptable tropical dinner jacket.

Designer Paul Smith has a three-button, single-breasted version that manages, in true Smith fashion, to look both classic and contemporary. More conventional tastes could invest in his khaki cotton version or an even more traditional model in olive, buff or navy from Hackett, although neither of these could be transformed into black tie.

When it comes to beachwear, I am rather tired of seeing Englishmen lolling about in baggy shorts. I feel that surfing jeans look best on those for whom they were originally intended. Opt instead for a pair of well-designed classic swimming trunks.

Speedo have good styles including a model made in a special sleek lightweight fabric developed for professional swimmers. Look out, too, for designs by the Los Angeles Sporting Club at branches of Sports Locker. Black or dark navy blue, remain the smartest colour choice. Remember, white is for exhibitionists only as it becomes transparent when wet.

The beach look is completed with a cotton singlet available



OUT TO LUNCH: Linen jacket, £295; waistcoat, £110; and trousers, £120, all by Paul Smith, 40-44 Floral Street, London WC2 and 10 Byard Lane, Nottingham. Linen shirt, £85 by Budd, 1-3A Piccadilly Arcade, London SW1. Silk tie, £40 by Turnbull & Asser, 71-73 Jermyn Street, London SW1.

in a selection of muted hues from Voyage. This year's most trendy holiday garment is a Kikoi from Kenya, which works as a wrap, towel, mat and, for some men, tropical night wear.

When choosing footwear, espadrilles are *de rigueur*. Both Ralph Lauren and Dries van Noten have attractive designer versions, but you are probably best buying them on location.

You should also include a couple of pairs of Superga Original plimsolls, in navy, white or ecru, a washable deck shoe by Dexter, a pair of the lightest canvas desert boots from Fratelli Rossetti and a pair of formal light-brown lace-up shoes. I am particularly impressed with John Lobb Oxfords at

Kurt Geiger, which are elegant and light. If you want to wear sandals, Paul Smith has a handsome classic design in brown or black leather.

A cotton sweater is a must for cool evenings - and there is little to beat Marion Fosse's classic, understated and beautifully-made knitwear. The look would be completed by a fold-up, wide-brimmed, panama from Herbert Johnson, a couple of silk ties from Turnbull & Asser and sunglasses from the Paul Smith range. With these purchases you will have a holiday wardrobe that, although classic in inspiration, will be modern, practical and stylish. Bon voyage.

John Morgan is associate editor of GQ Magazine.



ON THE BEACH (above): cotton singlet, £16, from a selection at Voyage, 115 Fulham Road, London SW3. Cotton T-shirt, £9.99 by Hanes from Sports Locker, 17 Floral Street, London WC2 and 53 Pembroke Road, London W11. Kikoi, £22.50, from The General Trading Company, 144 Sloane Street, London SW1 and 10 Argyle Street, Putney Bridge, Bath. Espadrilles, £70 by Dries van Noten from Joseph, 77 Fulham Road, London SW3. Swimming trunks, £22.99 by Speedo from Sports Locker.

OFF TO SEE THE SIGHTS (right): linen jacket, £295, by Dries van Noten from Joseph. Cotton singlet, £16 from a selection at Voyage. Linen shirt, £135 and linen shorts, £85, both by Margaret Howell, 29 Beauchamp Place, London SW1 and 24 Brook Street, London W1. T-shirt, £9.99 by Hanes from Sports Locker. Roll-up panama, £39 by Herbert Johnson, 30 New Bond Street, London W1. Desert boots, £105 by Fratelli Rossetti, 177 New Bond Street, London W1.

ILLUSTRATIONS: CHRISTOPHER BROWN

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## HOW TO SPEND IT

## Garden furniture that grows on you

Lucia van der Post on where to look for outdoor accessories that will keep you at the forefront of fashion



The Court Seat by Gaze Burvill: elegant, understated and comfortable with curves, angles and wide seat slats

Fashions in furnishing the garden are fortunately not subject to quite the same hectic time-scales as fashions in frocks. This is not to say that the horticultural set does not have its serious snobisms or that the likelihood of committing some hideous faux-pas is not just as great but at least the trends have a long enough cycle for everyone to have a chance of catching up with them.

For some time, tastes in garden furniture have tended towards the simple, the muted, the sturdy, the indubitably English. Bright continental parasols, plastic - shaped to look like wrought-iron - and florally decorated swing-seats can still be tracked down (if you must) but are deeply out of favour.

Classic designs on the lines of Lutyens are the chief inspirational sources for garden furniture designers today and one can see why - in the muted grey of a typical English summer day they fulfil the practical function, add an air of calm tranquillity to the scene and never, ever jar.

When it comes to the conservatory, then a touch of Eastern rattan could fit the bill - decorative enough to conjure up visions of Raffles and tropical verdancy and sturdy enough to serve the practical purpose.

For those with gardens or patios still in need of a little furnishing here are a few designs currently on offer.

**WOODEN FURNITURE**  
Simple but finely-made oak garden furniture is offered by Gaze Burvill, a small company. Every piece is designed to be in tune with the more muted, subtle approach that seems to suit the English garden.

Only English oak, one of Britain's most durable woods, is used, with the timber coming from carefully managed estates. Though some tools and machinery are, of course, used (in particular for steam-bending the wood which gives the comfortable, curving corners)

each piece is essentially made and finished by hand.

Photographed above is the Court Seat - elegant, understated and durable - with comfortable curves, angles and wide seat slats. It comes in two, three or four-seat versions and price ranges from £285 to £1,075.

Gaze Burvill will be showing its products at the Hampton Court Palace Garden exhibition, which runs from July 6-10. The workshop at Plain Farm Old Dairy, East Tisted, Hampshire, GU84 8RT, can also

be visited by appointment (tel: 0420-587467) and a selection of colour photographs and a price list for all pieces is available from the address above.

#### OLD ACCESSORIES

Sir Alastair McAlpine showed us, when he disposed of a lifetime's collectables, that it was quite amazing what people would pay for a couple of battered flower-pots or some rusty spades if you could call them "old" or "antique". And in some cases, the epithets can actually stand for better quality as well.

Take spades. Those who know about such things tell me confidently that good-quality Victorian or Edwardian spades are far sturdier and more handsome than any of their modern equivalents.

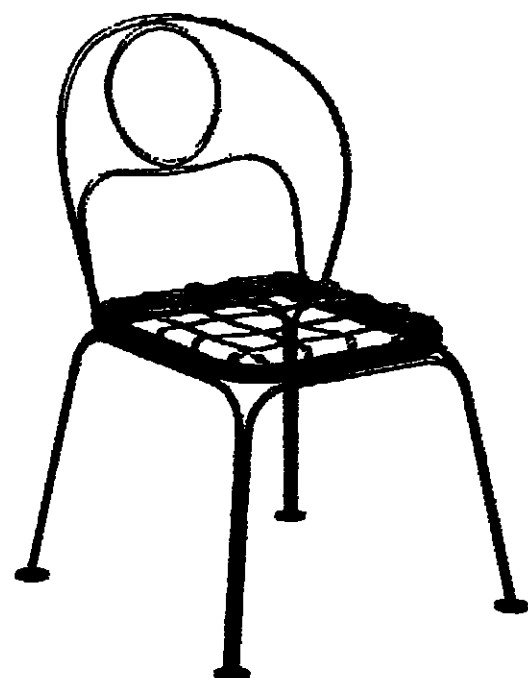
The Chelsea Gardener of 125 Sydney Street, London SW3 has given over a corner of the building to Marmaduke, a concession which supplies a constantly changing selection of old implements.

Handsome, sturdy spades and hoes range between £34.95 and £90, trowels start at £11.95, watering-cans at £34.95, a reel and line for marking out straight lines when planting

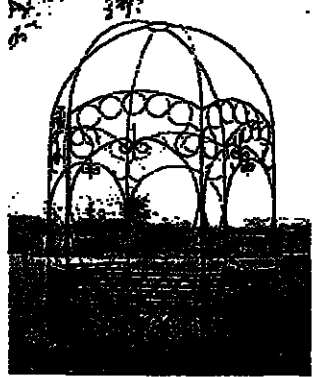
seeds is £34.95 (pictured, top right). The best brand-names to look out for, the ones with the longest tradition, are - Brades, Skelton, Griffin Brand, Spear and Jackson "Never-bend", and Elwell.

A few old garden accessories, such as wheelbarrows, have been purloined by the interior decorating and design set and their prices have risen accordingly. At Marmaduke it is hard to find one at much less than £300.

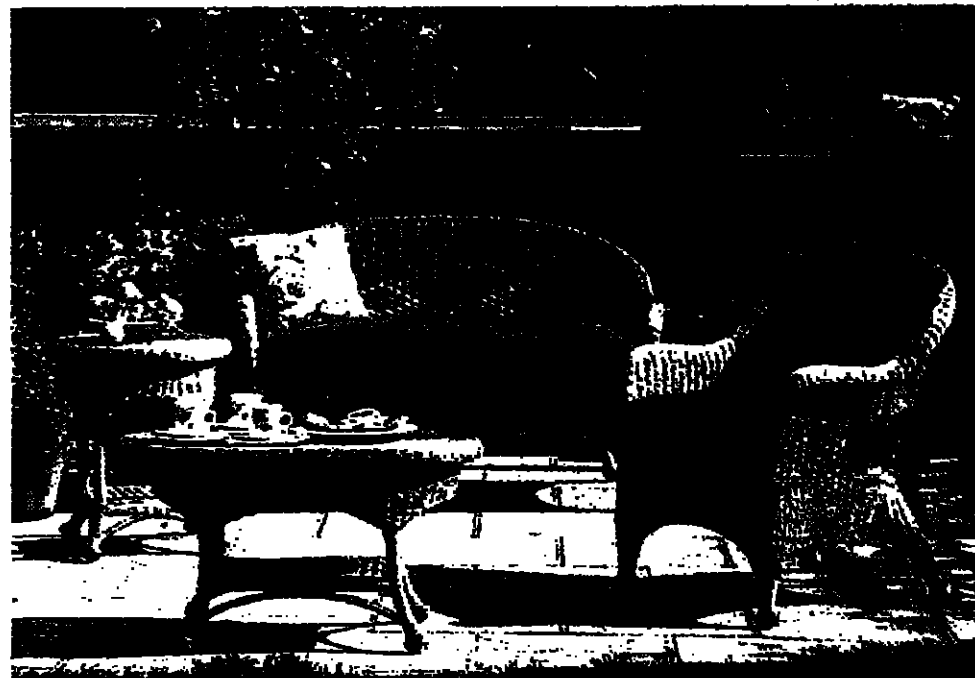
**METAL FURNITURE**  
For those who like to leave their garden furniture outside



Metal chair by Boundary Metal: heavy enough to be awkward to steal



Pagoda by Boundary Metal



Rattan furniture from The Pier: sofa, chair and coffee table

all year round, Boundary Metal makes the furniture that meets the brief. It is rustproof and heavy enough to be difficult to steal (a very important point this: in our part of London there seem to be gangs of thieves who specialise in garden accoutrements).

In the standard range there are several benches, chairs (such as the one photographed here, £171) and tables, but the company is small and friendly enough to enjoy handling special orders. Recently they have created a series of pagodas (such as the one photographed here - prices start at £700), as well as decorative structures encircling trees.

All the furniture is sold from its Newbury offices (Boundary Metal, Boundary Road, Newbury, Berkshire RG14 5RT) and there is a small selection to view there. Otherwise there is a leaflet available (tel: 0635-42255) and furniture will be dispatched by carrier.

#### RATTAN FURNITURE

Strictly speaking, Rattan is not the ideal material for garden furniture as it is neither weatherproof nor easy to move around. But it looks more romantic and is more comfortable (when propped with cushions) than metal or wood. The Pier has one of the biggest

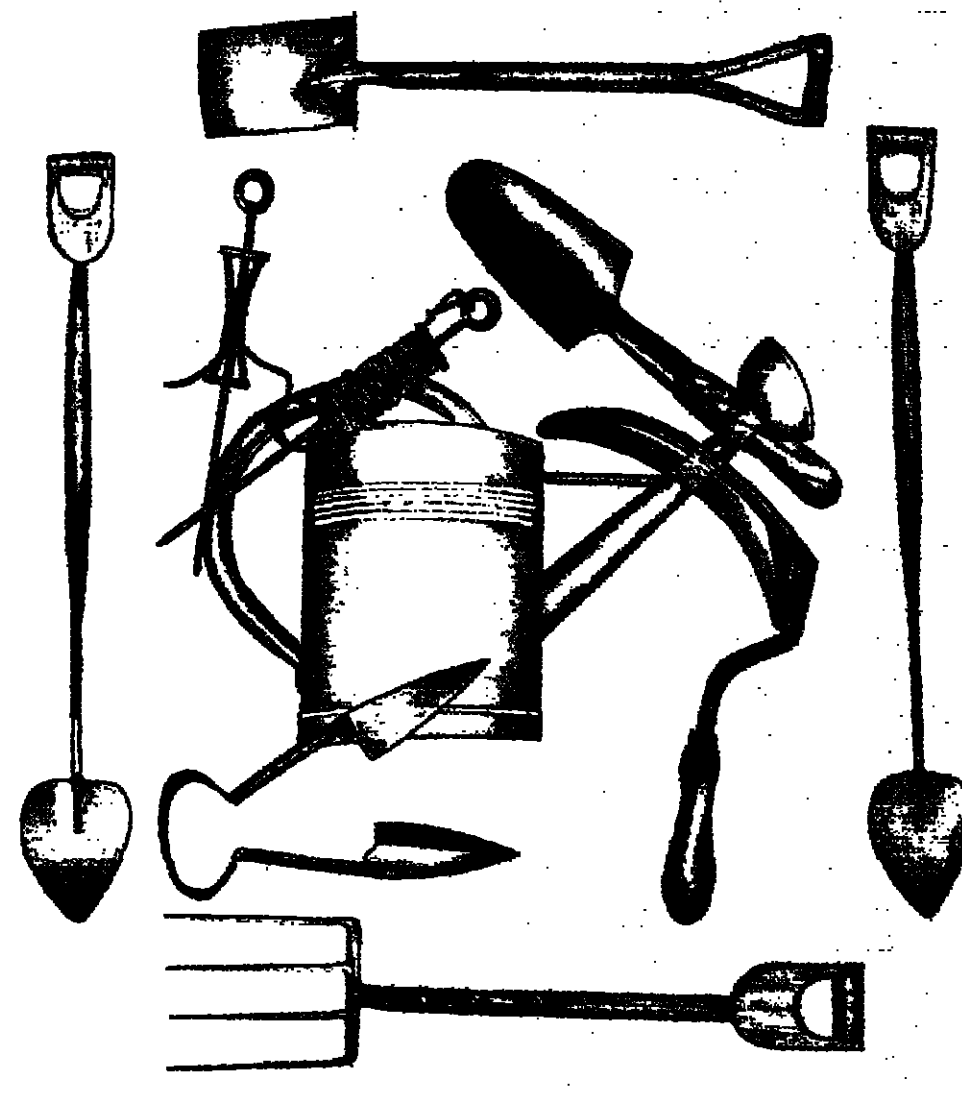
selections around. Alison Richards, The Pier's founder and managing director, believes that the market for rattan is expanding, with many people using it not just for the conservatory but for country cottage living rooms, bedrooms and dining rooms.

For the eco-conscious it is worth knowing that rattan is, (so The Pier's excellent information sheet on rattan tells me) a renewable plant which can be collected and used without destroying either the vine or the trees themselves. Most rattan furniture comes from the areas where it grows most freely - Southern China, Indonesia, Malaysia, Thailand and The Philippines.

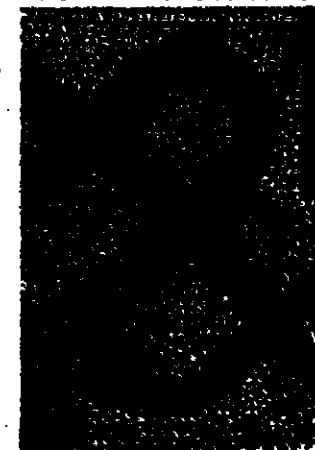
Photographed here are a sofa (£149), chair (£75) and coffee table (£65). For those who prefer their rattan to look rather more decorative there is the curlier (and more expensive) Raffles Collection and the yet more decorative Savannah.

The Pier has 10 shops around the UK but none further north than Birmingham, so it offers delivery by post. (Tel: 0235-821088 for details and brochure.)

Global Village sells a particularly refined and decorative collection of rattan, much of it with an antique finish. In particular there is a wonderful colonial high-back chair which



Old implements: infinitely sturdier and more handsome than their modern equivalents



Pebble-pattern paving

design matters more than ever - and in particular, the relationship between paving stones and grass and plants. Blot Kerr-Wilson has started applying her decorative skills to gardens. In collaboration with an artist, Tim Coppard, she uses small pebbles to create patterned surfaces on the ground.

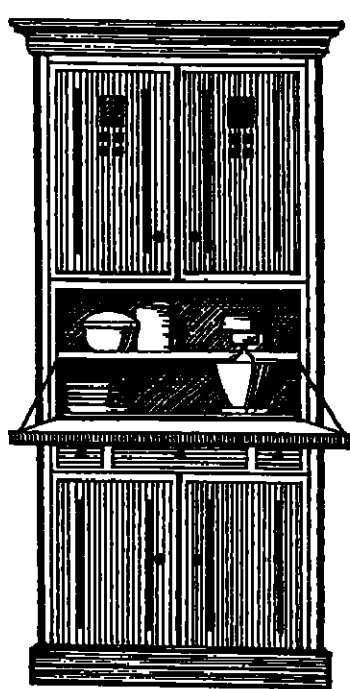
Each job is different and is done to commission, so prices vary enormously. In addition, materials used can vary from the white marble and beach pebbles used in this commission (pictured), to glass, stone, brick, slate or other materials. Contact Blot Kerr-Wilson, 49 Northfield House, Peckham Park Road, London SE15 6TL. Tel: 071-639 2277.

two years ago it was selling at £250 a time and today it is offering at £195 (either in forest green or biscuity antique finish). Global Village has six shops in all. Tel: 0835-823390 for details and brochure.

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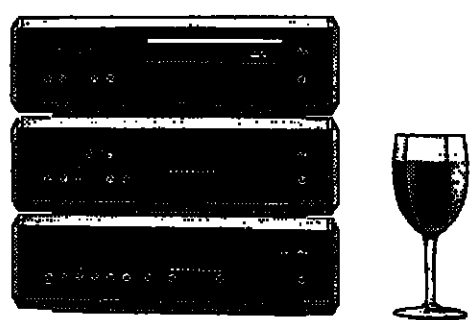
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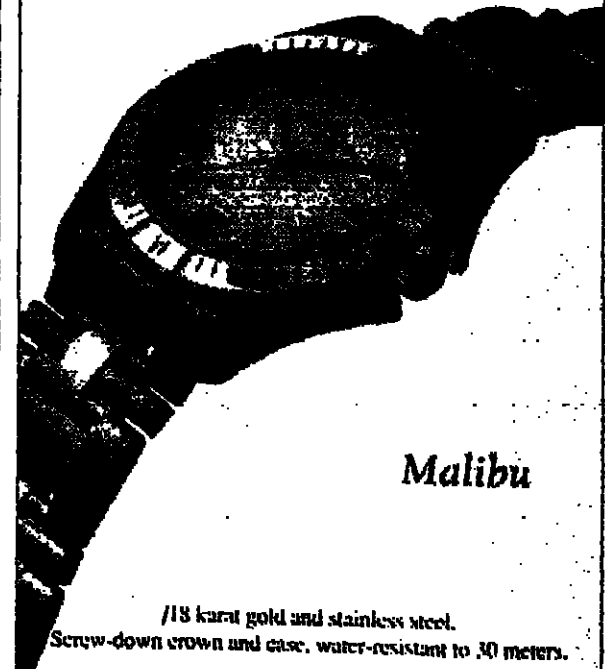
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## PERSPECTIVES

Lunch with the FT

## What would Mrs Goggins say?

Lucy Kellaway is put through the Postman Pat test

I am half-way through lunch with Howard Davies, director general of the Confederation of British Industry, and we are discussing Postman Pat. That very morning the newspaper had been full of Davies. He had been quoted making accommodating noises about the Labour party, and had written an article chastising Stephen Dorrell, financial secretary to the Treasury, for his naive views on dividends.

But now he is sitting in Andrew Edmunds, a rustic restaurant in Soho, central London, challenging me to name six inhabitants of Greendale, a fictional village from a children's storybook... "Postman Pat, Mrs Goggins, Ted Glen, Jess, Peter Fogg..." I am starting to struggle, and he helps me out: "Reverend..." He prompts. "Timms." I supply the correct answer with considerable relief.

I have just failed to name the Famous Five, failed to name any Swallows or Amazons and failed to supply the name of Jennings' best friend. Davies is looking surprised, disapproving even.

We have reached Greendale by a circuitous route. I have told him how thankful I am to be meeting him on my terms rather than on his. I was referring to his famous Christmas parties to which he invites a large group of like-minded, over-achieving fortysomethings for a highly-competitive quiz. I had heard tales of senior Treasury officials being humiliated by being unable to name the ERM bands.

"It's amazing what some people don't know," he says coolly. He proceeds to tell me about an even more

hair-raising event that he is in the process of arranging for his seven and nine-year-old sons. The children will answer questions about children's books (doubtless doing better than I did), sing songs in foreign languages and undergo tests of physical strength.

Howard Davies evidently excels at this sort of thing. During lunch he shows himself to be an expert not merely on the relative pay lev-

els of British bosses, but on Zimbabwean wine (he is shortly off for what he calls a "love-in" with Robert Mugabe, the country's president), on the structure of tendons in the leg, and the latest in soccer computer games. He reveals that he is fluent in French and Spanish, and is (or at any rate was) a first-rate sportsman.

But this is to skip ahead. I had invited Howard Davies to lunch early this spring. I got a prompt reply from his secretary accepting, but saying that he did not have a free lunch slot until mid-June. Nearer the time, she called again to

name Andrew Edmunds as his chosen restaurant. It was a predictably unpredictable choice, full of film people, with the odd sprinkling of alternative business types.

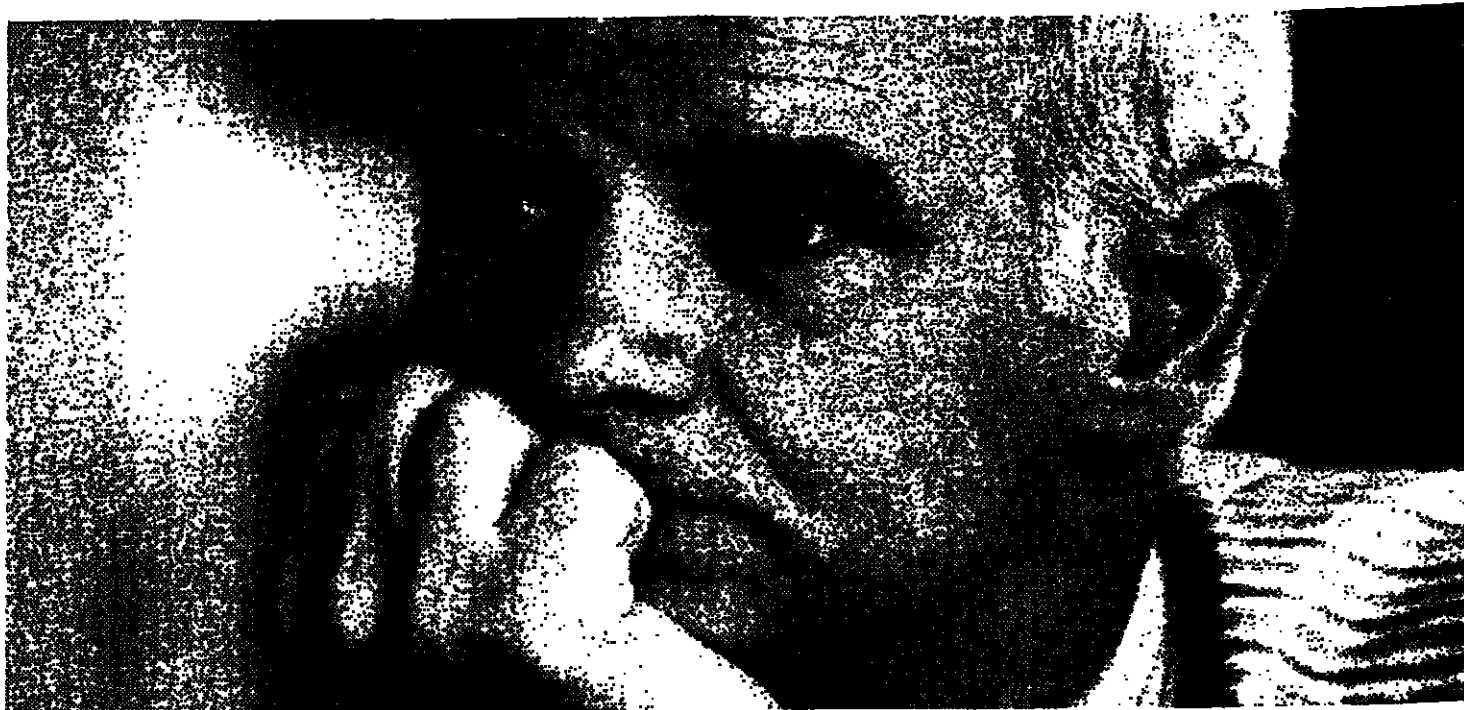
To prove he fits the latter category Howard Davies arrives on his bicycle, and is already installed when I arrive by taxi a minute or two late. He orders a bottle of mineral water. "I have two non-drinking months a year just to prove it can be done," he explains. "It makes you lose weight without having to concentrate on it." I note that he is not exactly a fatty, but he replies it makes him "look better on the beach".

He glances at the menu, and makes a healthy choice. "I'll have the salmon sashimi and then the crab cakes, for a change," he says. A change from what? I wonder.

Was he really busy every day since I invited him? He describes the endless succession of people who invite him to lunch to lobby him about this or that and his efforts to avoid a time-wasting meal. In addition there is the endless round of associations and federations, each with their annual lunch or dinner.

"The difficult thing is to think of something new to say," I ask whether he really needs to say something interesting every time, surely no one would notice if he coasted occasionally? He disagrees: "You'd quite quickly acquire a reputation of being boring."

I get the impression that in Davies's book, boring is a serious allegation. Everything about him declares that he will not be con-



Howard Davies: an expert not merely on the relative pay levels of British bosses, but on Zimbabwean wine

sidered that. Unsuccessful might rank nearly as low.

"I tend to do single-mindedly what I am doing at the time," he says as we start to discuss his career. "At Oxford I did Oxford. I did a certain amount of work. I acted in OUDS, edited a newspaper and played games." He recalls how he applied to the BBC after Oxford, but was turned down without even an interview - it seems to rankle even now. His friend Peter Stothard, now editor of The Times, made the grade, but Davies points out that he did better still by landing a job in the Foreign Office. "I did what grammar school boys did and asked what is the most difficult thing to do? At that time the foreign office was."

In any case he reflects that journalism is a young person's profession. At just 43, surely he still counts as young? "No, not since I did the Gaza injury to my knee last year. Gaza was a fit young boy of 24 and he's come back. But the sur-

geon said to me: we don't think it's worth repairing these if you are over 40." Then follows the description of tendons and cartilage in the knee, which I only half understand.

Yet Davies does not think of himself as old either, and says that will not happen until Mick Jagger stops singing, and there is no longer talk of the next Rolling Stones tour. Here he has hit on our first shared interest. We discuss great Stones' concerts, and I boast that I last saw them in Cologne in 1980. He replies that he saw them in an even more unlikely place in Paris.

Whatever age Howard Davies considers himself, he certainly looks older than his years. I ask - as politely as it is possible to ask such a question - whether he thinks his senior appearance has helped give him, especially earlier on, extra gravitas.

He looks neither surprised nor offended. He replies that both he and John Birt, director-general of the BBC (another chum), may have

been helped by going grey or bald early. However, he insists that he does not look "older in a total way. It's only hair in my case. I'm relatively fit for someone of my age."

The conversation is getting sticky, and the waitress rescues the situation by asking if we would like a pudding. I order a tiramisu, and he an equally wicked hot almond cake covered in cream. I declare the meal so far to have been "absolutely delicious". He agrees that it has been "quite good".

Does he care about food, I ask. He turns out to be a keen cook, and says he is much better than his wife (Fru Keely, producer of the BBC programme *Question Time*) at preparing an impromptu meal for guests. Apparently he can knock up a nice Italian pasta or risotto, a stir fry or something Indian in just 20 minutes using whatever is in the fridge. His wife is a better bet for guests who have been invited long in advance. "She follows recipes that say: 'Take a lobster, boil with

four onions, discard lobster, reduce to one teaspoon, pour over a scallop, discard scallop'."

Apologies of nothing in particular, he then starts telling me about a computer football game that his children have. I have already said that a) I have no interest in football, and b) I do not know anything about computers. Nevertheless, he gives a 10-minute soliloquy on the workings of this game, the noises it makes when the ball hits the goal post, the information it conveys about players of European teams, and much else besides.

I suggest that it is not only his sons who are wild about this game. He half laughs, but certainly does not admit to having wasted hours bent over the screen himself.

I ask for the bill, which turns out to be less than £40 including service. I pay, and walk him to his bike. "That was too cheap for the Financial Times," he says. "Perhaps we should have lunch all over again."

## Celebrating rites of passage

Americans know how to negotiate life's stepping stones, says Jurek Martin

My daughter, Caroline, graduated from Harvard recently and there was much celebration - deservedly for her; more selfishly for the parent freed of forking out £25,000-plus a year.

The warm glow of the three happy days of rejoicing at "the other Cambridge" still lingers, but with it a serious thought: that whatever else they may do right or wrong, Americans understand the importance of commemorating rites of passage - and there are few more serious than obtaining a university degree. More than that, marking the occasion properly is a long-term investment in the future, for university and graduate alike.

Dim 30-year old recollections of Oxford are of a quick shuffle in a cap and gown, rented by the hour, along with a handful of others who bothered to pick up their degrees in person, the old bottle of fizz huddled under an umbrella, and back to the grindstone. Younger

friends report it has not changed much since.

Harvard, America's oldest university, has been doing it properly for 343 years and so, for not as long, have most other groves of US academe, where to graduate from college (and high school and kindergarten and typing school, come to that) is regarded as worthy

ten on.

But, as US vice-president Al Gore kept repeating (in a different context) on Harvard's glorious Commencement Day: "The cynics are wrong." There ought to be nothing cynical, as the university's bachelor's degree citation puts it, about "passing into the company of educated people", nor about

Dutch elm disease" got appreciative laughs.

But Guinier was nothing if not challenging. She is the black law professor nominated last year to run the justice department's civil rights division but ditched by President Clinton after she had come under fire from the far right for allegedly advocating

ideology, sometimes fail to match as witnessed yet again by the carping surrounding Clinton's doctorate of laws from Oxford.

As well as Gore, they included Sadako Ogata, UN High Commissioner for Refugees; Benny Carter, the black jazz musician; an ancient Harvard classics professor; and even the president of Yale, grinning as the mention of his university was greeted with universal hisses.

Commencement Day is also a great occasion for alumni, marching around Harvard Yard according to their year, the very oldest in wheelchairs, their fund-raising activities for the university recorded publicly.

And we are talking serious money: in less than a month since its launch, the new Harvard campaign to raise \$20m had generated over \$670m, more than 14 times as much as the \$268m Oxford has raised over five years.

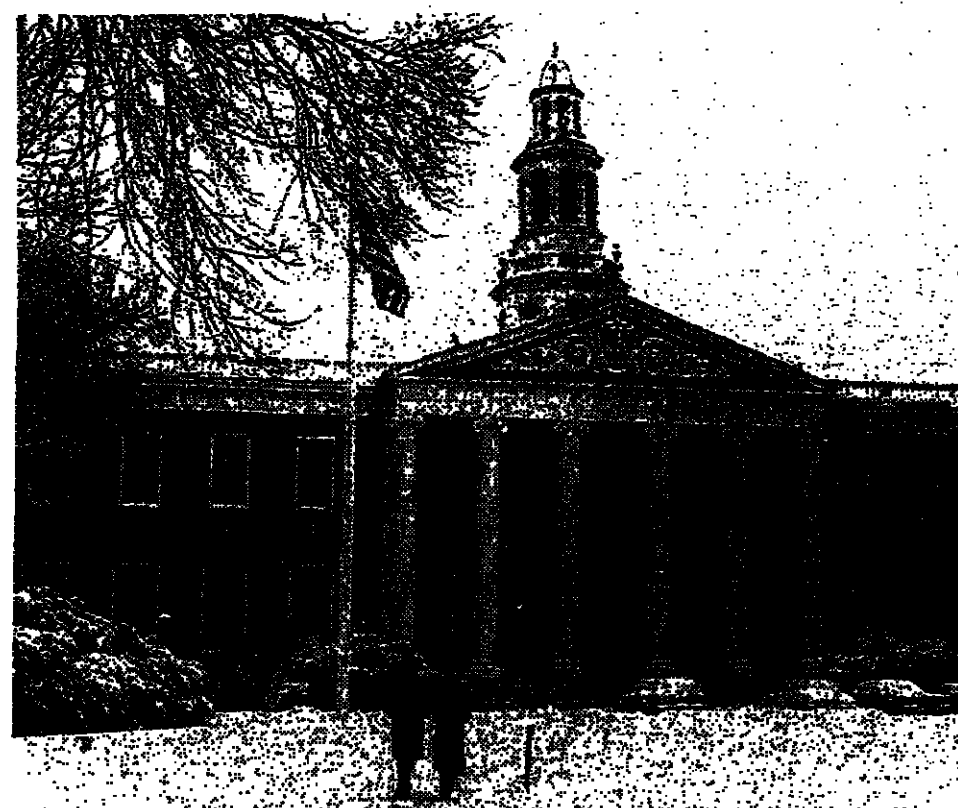
The discrepancy can be put down to differences in state support, national wealth and attitudes towards philanthropy, as well as a testament to the career successes of old Harvard men and women. But another element must surely come into play - the great sense of obligation that Harvard graduates feel towards the university.

The relationship is not a one-way street. An Ivy League degree looks good on any résumé, as does one from Oxbridge, although it is less of a guarantee of instant success and riches in today's tough employment market than it was in palmer economic times. But the Harvard network of important connections is not left to chance. Harvard clubs flourish all over the world, bringing people together often for more than a drink.

Rarely does a week go by without my wife, Kathleen (class of '72), receiving Harvard mail - and not all of it, by a long chalk, asks for money.

Oxbridge is much less good at preserving this sense of mutual assistance. This was a message I tried to convey in a modest speech last autumn to an Oxford dinner and it seemed to have been well-received (even by John Patten, the education secretary). But there has been no communication from the college since, and my inclination to contribute to the Oxford fund has not grown more keen.

Harvard, on the other hand, does even the little things well in sending its products on their way. Within two hours of getting her degree from the Master of Leverett House, Caroline had it framed: a quick service for just 27 bucks by the Harvard Co-op, ready to be hung forever on a wall. I am not sure in what dark closet my rumpled piece of paper can be found.



Harvard business school: students waved dollar bills on graduation day

Richard Chinn

*'Marking graduation properly is a long-term investment in the future - for university and graduate alike'*

of proper commemoration not only by those receiving degrees but all who have helped them - parents, friends, lovers, teachers, even bank managers.

Cynics say America overdoes this sort of thing, giving awards and recognitions to those who do not really deserve them. Even now a controversy rages in higher education over whether what is known as "grade inflation" makes degrees themselves worth the paper they are writ-

ten on.

My daughter's graduation was no exception. Of course, it helped that the weather was magical but local lore has it that it never rains on Harvard's graduation and, if it does, it is only scotch mist, which no one notices.

Certainly a crowd that must have numbered 25,000, only about a third of them getting first and higher degrees, could scarce forbear to cheer at every opportunity (with the business school graduates cheerfully and greedily waving dollar bills).

The featured guest speakers were Al Gore (class of '89) and recipient of an honorary degree this year, and Lani Guinier. In truth, the vice-president was not at his best in a speech that wandered more than a little from its central text - that cynicism is the enemy of democracy.

But his now well-rehearsed line in self-deprecation ("I'm a living example to the millions of Americans suffering from

weighted voting according to race.

Her message - that the problem of violence in inner cities is but a mirror image of the fault lines in established society - got a few of the parents grumbling, but was delivered with a force and a logic designed to dispel complacency in the younger generation present.

Best of all were the student speakers, chosen by the faculty and then given additional training by a drama coach. One gave the traditional Latin oration, replete with references to the Simpsons and White-water. Another wondered if the manic pursuit of goals left room for a real life. A third urged the law school graduates to take up cases *pro bono* (for free). A few were sentimental, but not weepy, and all were as pleased as punch to have a role in the ritual.

Nine honorary degrees were awarded, the selection again showing the catholicism that Harvard prizes but which British universities, too often consumed with petty politics and

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## FOOD AND DRINK

Cookery/Philippa Davenport

## A fashionable way with fish

**S**izzling roast joints of beef, lamb or pork used to be synonymous with Sunday lunch. No longer. The word "roast" has been hijacked. Trendy menu-writers have discovered its power. Nothing, it seems, can start a revolution faster this summer. Pan-fried and char-grilled are passé. Roasts are in.

The hottest menus are peppered liberally with roast and roasted foods, the terms sometimes being applied to just about anything cooked in the oven. Baked tomatoes have become roasted tomatoes, although the cooking method has not changed one jot. Aubergines, red peppers, fennel, garlic and courgettes are other likely candidates for this treatment in fashionable restaurants, where you may be offered roasted red pepper soup, slow roast tomatoes, and roast figs with honey and almonds. But the choicest dish of the lot, the dish of summer 1994, must be roast fish.

Basically, roasting achieves the same searing effect on fish as grilling or frying, but with fewer anti-social side effects. There is less danger of the fish catching and burning as it cooks, so you do not have to watch it closely. And most of the cooking smells are trapped within the walls of the oven instead of the cook's clothes and hair.

Whole fish - such as sea bass, sea bream, snapper or grey mullet weighing 2½ to 3½ lb - are a popular choice while a middle cut of cod of around the same weight is acceptable, too. For those who like everything to come ready-portioned, fillets and steaks of turbot, brill, halibut and cod are all suitable.

Whatever you choose, one crucial clue to success is using high heat. If the temperature is low, the fish will not be sealed and seared without and cooked justly within, as it should be. Instead, juices will ooze out and the fish will stew in them, quite possibly leaving the flesh dull and tasteless. So make sure you heat the oven thoroughly in advance - the hotter, the better.



David Sharland, chef at the Savoy Hotel, with his roasted sea bass, garnished with shiitake mushrooms and artichokes

How long will fish take to cook? Thickness is as important as weight. As a general rule, allow 15 minutes an inch at the thickest part - but check by testing. Cut down on the backbone at the thickest part: the fish is ready when the flesh has turned white right through. If the fish is ready before you are, let it rest in the

plate-warmer. Whole fish are protected against drying out during cooking by their mackintosh skins, and the skin can be a choice thibit if roasted crisply. Flacing the fish on a rack or a bed of vegetables raises it in the roasting pan and allows the heat to circulate more freely - which is all the better

to crisp up the skin. A fan-assisted oven might also be of some help. Be sure the skin is dried thoroughly after rinsing and before cooking. Then, brush it with a thin film of oil or melted butter and sprinkle it with sea salt and a good sprinkling of freshly-ground black pepper. If, in spite of all this attention to

detail, the skin does not roast as crisply as you would wish, baste the fish again just before serving (with butter or oil, or paint it with lemon juice or a light sugar syrup and a splash of soy sauce) and flash it briefly under a very hot grill for a sizzling finish.

Some cooks like to slash whole fish with two or three oblique cuts down each side before cooking. This speeds the process but encourages some loss of moisture, although the wounds can be staunching (partially, at least) by stuffing them with slices of lemon or slivers of herb or spice-flavoured butter.

On balance, however, I think it better to leave the skin uncut and to save such extra flavourings for stuffing into the belly or to use for saucing when serving.

Fish fillets and steaks, lacking the all-enveloping protection of skin, need more careful treatment. Dust them with a modicum of flour to check they are thoroughly dry, and lay them in a shallow roasting pan or baking tin that is robust enough not to buckle when subjected to high heat.

The tin should be brushed lightly with butter or oil and the pieces of fish placed well apart. If jam-packed, the heat will be unable to circulate properly and the fish risks stewing.

The simplest - and, in a way, the most sophisticated - recipes call for topping the fish with just a dusting of flour and a drizzle of oil or melted butter, and for turning it at half-time (but with great care, to avoid breaking the crust). Such plainly-roasted fish steaks or fillets can be served just as they are, pure and simple, or partnered with a splendidly showy sauce.

More often (and this is easier to get right), the pieces of fish are cloaked with buttery or olive oil-soaked bread crumbs flavoured with a few herbs or spices.

By the time the fish is just cooked and still moist in the centre, the crumbs should have dried out to an appetizing golden crust. If necessary, a quick flash under a very hot grill will ensure a crisp finish.



## Stirred, but not shaken

**N**ot so long ago a friend confessed that he had been to Dukes Hotel in St James's, central London, and ordered a dry martini. The barman at Dukes, Gilberto Preti, is renowned for making the best martinis in London, but my friend found that he had been unable to finish the glass: it was just that bit too strong, and just a little bit too dry.

It is that austere and uncompromising side of the martini which makes it the greatest of cocktails. One's first martini should be a John Wayne of a drink which separates men from boys. It is one of the very few things I look forward to when crossing the Atlantic, for Americans are deeply serious about martinis.

In 1977 President Jimmy Carter launched a famous attack on the "three-martini lunch" as a symbol of the progressive decadence of the American business world. American drinking habits are distinctly odd. They drink three cocktails then sit down to food rather than wine with the meal. It is all a bit like a general who unleashes a terrible artillery barrage at the enemy lines at the beginning of a battle, then forgets to send in the troops. Three pre-prandial martinis would seem to be a lethal dose.

A great deal of mystique surrounds the creation of a martini, but the recipe looks deceptively simple. *The Savoy Cocktail Book* (Constable, £8.95) gives the following: "17 dry vermouth; 6/7 dry gin, stir well with ice and serve with a squeeze of lemon rind." Which is certainly only half the story.

In order to find out the other half, I went along to a tasting of dry martinis at the Atlantic Bar and Grill in Piccadilly, London's latest late-night haunt. Five top London barmen were standing with their cocktail shakers in their hands: Dick Bradwell from the Atlantic Salvatore Calabrese from the Lanchester; Peter Dorelli from the Savoy's American Bar; James Scott from the Groucho Club in Soho; and Lado Stojanovic from Maxwells in Covent Garden. Judging between the five was hard work indeed. All displayed a very high level of professionalism. Bradwell's, Calabrese's and Dorelli's were quite similar in style - all three were deeply lemony. Dorelli's was slightly different

in that it was served, minus the peel in the original Savoy cocktail glass; justified by tradition, but ever so slightly rude. Stojanovic's was the least dry of the five, in that it was the only one in which one could detect the flavour of vermouth which made it half way to a gin and French. Scott's was possibly the drier, in that not even the lemon was able to dent the amount of the gin.

What surprised me were the choices of gin.

They were unanimous in their condemnation of Gordon's and its now \$7.5 per cent bottling, but all five had selected gins at 40 per cent. Of these, two were Beefeater, two Bombay Sapphire and one, Booths. Contrary to the teaching of great barmen beyond these shores, who use export strength gin at around 47 per cent, these British barmen insist that their relatively weak martinis are the best. American customers,

*Ian Fleming invented a heresy for James Bond*

they maintain, are astounded by their delicacy after the fire-water they drink at home. I have to say I was not wholly convinced by this argument.

Of the other elements which go into a martini, four out of five favoured Martini Extra Dry as their vermouth, while the one remaining barman used Noilly Prat. In the main, the vermouth does not end up in the drink, being either swirled round the glass or the shaker. Clear, fresh, quick-frozen ice was absolutely indispensable; and it should be stirred, not shaken: shaking bruises the gin. This little heresy was introduced by Ian Fleming of James Bond fame.

Another heresy was the olive. Dorelli thought this went back to the film *MASH*, where one of the characters is offered an olive-less martini and exclaims: "What no olive? You can't drink martinis without olives!" You can, apparently. An olive will just make your cocktail oily. I emerged from the tasting slightly light-headed and not wholly convinced that I had really got to the bottom of the martini debate. Next stop Dukes.

*Giles MacDonogh*

## Great British Eating

## New look for a high-fryer

**F**ish and chips are not what they were. The great standby supper dish for the British working classes is changing its profile - and so is the industry that supplies it.

Some 10,000 fried fish shops in the UK generate annual sales of more than \$900m, frying more than 60,000 tonnes of fish and 600,000 tonnes of potatoes. One of their leading proponents is John Barnes, ebullient chairman of Britain's most famous chippie, the publicly-quoted Harry Ramsden's. He visited the first Ramsden's

shop at Guiseley, Yorkshire, in 1968 and liked the product so much that he bought the company.

Barnes says: "Our aim is to make eating fish and chips fun, using the original Guiseley design from the 1930s as the setting for all the restaurants." There are now 10, including one in Hong Kong, and other overseas outlets are to open soon in Melbourne and Singapore. Requests for information are frequent, many from overseas; they are answered by the company's own public relations department.

But Ramsden's is only part

of the story. If you walk into any restaurant today serving modern British food, there is bound to be a variation on fish and chips. It has also become a fashion food, with top chefs eager to outdo each other in their style of presentation.

Indeed, cod and chips with a mint pea purée (\$3.95) were on offer last week to millionaire author Jackie Collins and politician Cecil Parkinson who were eating (separately) at London's fashionable Le Caprice restaurant.

Fish and chips is a simple, unpretentious and relatively inexpensive dish, ideal for the 1990s. But as more chefs serve roast cod (healthier than frying), it will inevitably make this increasingly scarce fish even more inaccessible. Already, it is almost the same price as farmed salmon.

To find a fish and chip restaurant that bridged the gap between tradition and modernity, I took the boat train to Harwich, Essex. There, at the Pier Hotel, I discovered a restaurant tinged with history, romance, and a little sadness.

The original Pier Hotel was built in 1860 and it prospered for 90 years as the quays bustled with ferries to and from continental Europe. Then business fell away and the hotel was bought in 1977 by two local businessmen, Gerald Milson and Richard Wheeler. Milson had an established restaurant, Le Talbooth, at Dedham near Colchester, Essex, while Wheeler was chairman of a Colchester wine merchant, Lay & Wheeler.

On trips to Boston, in the US, they had seen the popularity of such restaurants as Jimmy's Harbourside, where fresh fish was cooked simply and sold cheaply and the queues never seemed to disappear.

Their aim was to offer the same at the Pier, where the sea is 50 yards from the front door.

The romance was supplied by the appointment of Chris Oakley as chef. Today, he is in partnership there with his Swiss wife, Vreni, whom he met at Le Talbooth. Indeed, Oakley was cooking in Davos, Switzerland, when Milson asked him to take over at The Pier.

Oakley is perhaps the most highly-trained fish and chip chef in the country, having spent two years at catering college followed by another two years at Claridge's, one of London's top hotels. He immersed himself in the job, often visiting the famous Seashell fish restaurant at Lisson Grove, north London, to see how it operated.

To choose the batter for his own fish, he set up a blind tasting of seven different versions - including beer, egg, yeast, and flour and water. That decided, he found that living

## Nicholas Lander enjoys one of Britain's most satisfying meals

near the sea was no guarantee of getting fresh fish.

"When I arrived, I thought I would be quite easy for me to buy the fish I wanted from the local fishermen, but it took me several years to win their confidence," he says. He has no regrets, though. "In the summer months the fish here - turbot, bass, brill, crab, lobster and Dover sole - are wonderful, and sometimes in such abundance that I can let other chefs know about the day's catch."

The restaurant is on the first floor, from where you can look



Catch of the day: chef Chris Oakley choosing his lunch

out over the estuaries of the rivers Orwell and Stour to Constable Country and watch the fishing boats, yachts and ferries. My cod and chips were delicious, although I kept an envious eye on the spanking fresh Dover sole being eaten alongside me.

Oakley's formal background was obvious: an exciting array

of four different types of bread rolls before the meal and at the end some stunning *petits fours* with the coffee.

This, however, is where the touch of sadness comes in. There is no denying the popularity and success of The Pier, which serves 45,000 customers a year and is one of the town's biggest employers in an area with unemployment well above the national average. But it is too far from the real action. The restaurant is in the centre of Harwich town, which used to be the gateway to the quays. Now, though, most of

the traffic which passes in and out of Harwich en route to the Continent use a modern terminal at Parkenton Quay, two miles away.

The Pier offers the great British meal of fish and chips in style. But, to flourish for another 100 years, it needs a new location. ■ The Pier at Harwich, Harwich CO12 3EH, tel: 0255-241 212, fax: 0255-321 322. ■ London fish restaurants: Brady's, 513 Old York Road, SW18 (01-877 9589); Geale's 2 Farmer Street, W8 (727-7989); Nautilus, 27 Fortune Green Road, NW6 (435-2532); Seashell, 49 Lisson Grove, NW1 (723-8703); Seafresh, 80 Wilton Road, SW1 (828-0747); Upper Street Fish Shop, N1 (359-1401); and The Two Brothers, 297 Regent's Park Road, N3 (01-346 0469).

■ Outside London: The Fish Inn, Didsbury, Manchester (061-448 2468). Harry Ramsden's restaurants can be found in Glasgow, Edinburgh, the Metro Centre at Newcastle, Blackpool, and Manchester and Heathrow airports. Nottingham and Dublin shops are to open soon.

## Appetisers/Lucia van der Post

## Such a cordial welcome

**I**t is the height of the elderflower season and I am clutching a friend's recipe for elderflower cordial, to which my family is addicted. The commercial versions are not bad but the home-made ones are ambrosia. We have a car bootful of elderflowers, sugar in the cupboard and all I lack is tartaric acid or citric acid.

I start off at Waitrose, Safeway and Sainsbury and am in some despair when all fail to yield the essential ingredient. On to Boots. "Would cream of tartar do?" asks the girl behind the counter. It will not. A helpful pharmacist tells me that she can obtain some tartaric acid by Monday (it is now Sat-

urday and I do not fancy the elderflower heads' chances of surviving that long).

I head up the high street stopping in every chemist along the way. Eventually, a small pharmacist sells me citric acid and I am limp with gratitude. He tells me that many chemists do not stock it because drug addicts use it in conjunction with heroin. If this is true it seems rather hard on the brewers of elderflower syrup.

As I write, the elderflowers are brewing splendidly. I am buying up all the tartaric acid that I can and the nice pharmacist at Boots has ordered in readiness for next year. But why should it be so diffi-

cult to find something so innocent?

PS. The recipe - with grateful thanks to Morny Hay Davison:

Ingredients: 25 big elderflower heads; 2lbs white sugar; 80 grammes tartaric acid or citric acid; 1½ pints boiling water. Method: Pour the boiling water over all the ingredients and stir each day for four days. Strain through muslin and fill bottles.

□ □ □

Forget authentic earthenware dishes from the Auvergne, microwaves and make-your-own pasta machines, today's hottest accessory for the seri-

ous cook is a blow-torch. Some weeks ago my son-in-law served a perfect *crème brûlée*. The topping was evenly crunchy and a heavenly shade of caramel - so unlike my own efforts with a standard grill.

Top chef Alastair Little specifically recommends a blow-torch as a culinary tool in his book *Keep It Simple*. The blow-torch can be used for crisping potato toppings, singeing chickens, caramelising bananas, browning and producing perfectly even brûlées. It costs £10 and runs on propane gas. The Tymar hand-held version is perfect - do not use anything more powerful - and is available in DIY stores.

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A high-contrast, black and white photograph of a dark, cluttered interior space, possibly a basement or crawlspace. The floor is covered with debris, including what appears to be a large, light-colored object (possibly a bag or container) on the left. The walls are dark and textured, and there is a doorway or opening visible in the upper right corner.

### **Motioned Trust**

Surprisingly few nurseries either list or know it. Hunt out those which the *The Plant Finder* recognises and then propagate Snow White from cuttings; they root with wonderful ease.

# A glorious evening of sedge frenzy

A cartoon illustration showing two men in a river setting. On the left, a man in a suit and hat stands on a grassy bank, speaking. A speech bubble from him contains the text: "WHEN THE RIVER IS LOW, WE RAN THE SALMON ARTIFICIALLY UP STREAM." On the right, another man wearing a hat and boots is wading in the river, holding a net and catching a large salmon. In the background, there is a stone arch bridge spanning the river, and the surrounding area is filled with trees and foliage. The style is a classic black and white cartoon with bold lines and cross-hatching for shading.

Unable to see the relevance of this incident to my own case, we bade farewell to the little man and left the river, exhilarated. It had been a memorable night.

## Chile slow to get chilly



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■ *Charles Grant works for The Economist. He is the author of Delors: Inside The House That Jacques Built, published by Nicholas Brealey, £12.99.*

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## SPORT: WORLD CUP '94

# Turn on, tune in, and marvel with Motson

Britain's TV audience is being served a World Cup mixture of thrills and banality, says Peter Aspden



There comes a turning-point in every World Cup when events on the pitch take on extra significance. It usually happens after the opening salvos have been fired. We have been introduced to the dramatic personality, we have acclimatised to sleepless nights, and we have begun to bond with the hapless addicts at the other end of the office who also remember that Bolivian back-heel which led to their third corner of the match.

At this transcendent moment, people who spent the first days of the campaign rubbing their eyes find they have run out of clichés and quips, and start to take an interest, for even they understand that what they are watching is powerful drama.

That moment has arrived early in this splendid tournament, with Thursday's Italian victory over the charmless Norwegians. The combination of a rash piece of goalkeeping and a truly courageous piece of management by Arrigo Sacchi brought us the first unforgettable icon of USA 94: the utterly bewildered face of Italy's Roberto Baggio as he trudged off to be substituted by Luca Marchegiani.

You had to be there - in front of a television screen, that is - to lip-read Baggio's distress: "E' impazzito!" ("Has he gone mad?"). Sacchi stood firm. Off went the cherubic Baggio, up went the voice of BBC commentator John Motson, and suddenly we knew we were in a World Cup.

These are the games, high in melodrama, low in pure footballing skill, which make great television. For the truth is that the various pundits assembled to provide viewers in Britain with "expert" analysis are proving as sadly inadequate as ever.

Reaching a new nadir of banality, John Fashanu, who plays for Wimbledon in the English Premier League and is commenting for ITV, revealed plenty about his conception of the game during the closing stages of Sweden vs Cameroon. "In the last couple of minutes," said Fash, "we have had two substitutions; both of them are off 2in, so neither side obviously wants to settle for a draw."

Tell that to the "Norwegian Everests" (*La Gazzetta dello Sport*). Norway are one of the tallest sides in the competition, but have so far displayed

little desire to wander into their opponents' half.

For the most part, comments on strategy and technique have been conspicuous by their absence from British screens. Tactics? Who needs them when you have Ron Atkinson, manager of Aston Villa, around? Ron, never one to lose himself in theory, has become a master of psycho-football, the game that is played entirely in the head.

Halfway through Germany vs Spain, he could bear it no longer. "You also - I don't know if it's my imagination - get the impression about that mental thing..." - this in response to the hitherto impressive Spanish side having had a quiet five minutes.

"That mental thing" is pundit-short-hand for letting us know that every side from south of the Alps - or Texas, for that matter - contains far too many feckless funny merchants who would prefer to be in mid-elesta than in midfield where they might be called on to turn over a bunch of strapping Teutons.

On came Germany's Rudi Voller, the "old fox", in what was "a psychological substitution". Like a work of 18th century empirical philosophy, all was in the mind now. "You get the impression that all the belief is with the Germans" - a quasi-theological pearl that warned us what to expect. The Spanish dominated the rest of the game and Germany played their poorest football of the tournament.

The team with the most legitimate claim to experiencing unbearable mental pressure have provided the saddest story of the week. Colombia had to pull their midfield player Gabriel Gomez out of their match against the US at the last minute after he had received death threats against his family.

On the field, the Colombians looked ever more ineffectual as they ran their pretty triangles into the thump of tactics of Alexi Lalas and Marcelo Balboa. As they left the field at half-time, the Colombians would have seen a scoreboard which read: "Becobar, own goal", which probably told them more than they needed to know about their homeland.

Lalas and Balboa (wasn't that Rocky's surname?) looked stronger and stronger as the match went on.



Lalas, variously referred to as "the rock-and-roller", "the gypsy" and "Catweazle", looks one of the best defenders in the world on current form - smart money sees him in the Premier League next season - while Balboa came within an inch of scoring the goal of this or any World Cup with a stupendous overhead kick.

At the other end, goalkeeper Tony Meola, who wants to be an actor, glanced at the TV camera behind the goal and crossed himself in mock incredulity. The Americans, having seen their basketball championship settled on Thursday, can now turn their attention to the less serious business of watching their soccer players knock the stuffing out of some of the world's greatest teams.

Through a combination of Wimble-

don, short-sightedness and long, bitter memories, we were denied the opportunity of watching live what was surely one of the biggest stories of the first World Cup week - the extraordinary return of Argentina's Diego Armando Maradona, perhaps the only man, along with Pelé of Brazil, to have earned the right to be called a football genius.

This was not enough to sway Britain's terrestrial TV channels, which had already decided that an ageing, overweight chest with a drug problem could not possibly play a decisive role in such a wholesome sporting event.

They should think again. Maradona's body is so battered that he is literally frightened to shoot, in case the force required causes him serious

injury. But against Greece, he saw an opening and could not resist it. Curled into the top corner, it was the most precisely-hit shot of the week.

Maradona's sprint to the camera and Munch-like scream into the lens let out four years of fury and resentment. BBC link-man Bob Wilson found it unseemly. Maradona himself, watching a playback, thought it was "very beautiful".

Surrounded by loyal lieutenants who can move the ball with bewitching speed, and looking significantly fitter than he did in Italy four years ago, Maradona is set to have a final fling with the talent which stubbornly refuses to desert him. He has already won a World Cup single-handed, and will not rest on the memory. It's that mental thing.

## Nigeria 'not afraid' of born-again Maradona

Nigeria, who meet Argentina in Boston today following a 3-0 win in their World Cup debut against Bulgaria, say they are not afraid of Argentina's rehabilitated star, Diego Maradona.

"Maradona is a respected player," said Nigeria's Dutch coach Clemens Westerhof. "We respect him, but we are not afraid of him."

Both teams won their opening games and know they have relatively weak opponents in their last games, so today's Group D match could turn into a goal-chasing clash of two powerful forward lines.

Maradona, the Argentine team captain, opened his fourth World Cup with a brilliant goal that added to three by Gabriel Batistuta in a 4-0 romp against Greece on Tuesday. But he advised caution against Nigeria.

"We have to be very careful. The Nigerians are extremely fast, and we can't give them a millimeter of advantage on the field," Nigerian star Rashidi Yekini, who scored a goal against Bulgaria, will challenge Maradona for the limelight.

### Standings

GROUP A	P	W	D	L	Pts
Switzerland	2	1	0	1	3
USA	2	1	0	1	3
Romania	1	0	1	0	1
Colombia	1	0	0	1	0

GROUP B	P	W	D	L	Pts
Brazil	1	1	0	0	3
Czech Republic	1	0	1	0	1
Sweden	1	0	1	0	1
France	1	0	0	1	0

GROUP C	P	W	D	L	Pts
Germany	2	1	0	1	3
Spain	2	1	0	1	3
South Korea	1	0	1	0	1
Italy	1	0	0	1	0

GROUP D	P	W	D	L	Pts
Argentina	1	1	0	0	3
Nigeria	1	0	1	0	1
Bulgaria	1	0	0	1	0
Greece	1	0	0	1	0

GROUP E	P	W	D	L	Pts
Ireland	1	0	0	1	0
Norway	1	0	0	1	0
Italy	1	0	0	1	0
Mexico	1	0	0	1	0

GROUP F	P	W	D	L	Pts
Holland	1	1	0	0	3
Belgium	1	0	1	0	1
Saudi Arabia	1	0	0	1	0
Morocco	1	0	0	1	0

complaining that advertising while the games were on was too distracting.

Letters to local newspapers demanded government intervention to stop the commercial breaks.

Coca-Cola and brewer Carlsberg and Ken, Cyprian's leading sponsors of live coverage, said the commercials will now air only at half-time and at the start and end of games.

### Colombians trip up tipster

Betting-wise, my strategy of backing South American teams has been rock-solid, but not wrecked, by Colombia's gutless performance and (almost certain) elimination, writes Michael Thompson-Moat. They were my big winners. After Romania beat them, I took another wrong step by betting £10 each way on Romania at 25-1 (£10 to win at 25-1 and £10, at half-odds, to reach the final).

My other bets - Brazil (5-1) and Argentina (7-1) - could still show a small overall profit, which means that the three to jump up the volume is that surprising.

If Brazil and Argentina win their first-round games, they will not meet before the final (assuming they survive). But so greedy are Britain's bookmakers that Brazil have been clipped to 9-4. If Romania are eliminated, my combined losses on them and Colombia will total 53 per cent of my stakes to date - a disgraceful position to be in.

For my next trick, I will probably quadruple my £20 bet on the Argies, but not until they have played Nigeria. Coolness is required. It is what the bookies dread.

### Cypriot TV an ad-free zone

Advertisers in Cyprus have withdrawn TV commercials aired during World Cup games after protests by fans. State-run Cyprus Television said it had received hundreds of calls from viewers

### Remaining first-round schedule

Date	Group	Venue	Time	Match
Today	F	Orlando	5.30pm	Belgium vs Holland
	D	New Jersey	5.30pm	S. Arabia vs Morocco
	F	Boston	8.00pm	Argentina vs Nigeria
Tomorrow	D	Chicago	5.30pm	Bulgaria vs Greece
	A	Los Angeles	8.30pm	US vs Romania
	A	San Francisco	8.00pm	Switzerland vs Colombia
Mon 27/6	C	Chicago	8.00pm	Bolivia vs Spain
	C	Orlando	8.00pm	Germany vs S. Korea
Tues 28/6	E	New Jersey	5.30pm	Ireland vs Norway
	E	Washington	8.30pm	Italy vs Mexico
	B	San Francisco	9.00pm	Russia vs Cameroon
	B	Detroit	9.00pm	Brazil vs Sweden
Wed 29/6	F	Orlando	5.30pm	Morocco vs Holland
	F	Washington	5.30pm	Belgium vs S. Arabia
Thurs 30/6	D	Boston	12.30am	Greece vs Nigeria
	D	Dallas	12.30am	Argentina vs Bulgaria

British Summer Time  
The quarter-finals will be played on the weekend of July 9-10, in Boston, Dallas, New York and San Francisco; the semi-finals on Wednesday, July 13 (New York and Los Angeles); and the final on Sunday, July 17 (Los Angeles).

## A new generation wooed by skill

Why do I, a good, young, upstanding American, play soccer and not American football, basketball or baseball? The question had never crossed my mind before it was announced that the soccer World Cup would be played on American soil.

As soon as I heard the news I was ecstatic, but confused. How could soccer's most prestigious tournament be played where football, baseball and basketball reigned supreme, where soccer had not even been televised on the four major networks, and where anyone who wants to watch a soccer game either has to listen to a commentary on a cable station - probably in a different language - or go and watch a college match, at times possibly the most embarrassing athletic vision the US has to offer?

My feeling is that it was the suburbs and the immigrant communities around the country that helped create the impression of some interest in

soccer. But one thing was certain, I thought: it was not people like me who caused FIFA, the sport's governing body, to choose America as home for the 1994 World Cup.

I have been playing soccer since I was six years old and, since everything back then had to revolve around me, I naturally assumed that just about everybody played soccer. Now that I am in high school, it is pretty obvious that I am in quite a small minority.

This must have something to do with the availability of soccer equipment in New York City. For a pick-up game of American football in the park, all you need is six kids, a football and something to mark the end zone. Soccer needs a ball, at least 10 kids - and two goals.

Now, some of the suburbs and areas with heavy immigrant populations do have pitches and goal-posts marked out, but not the New York City parks I know. So soccer is almost destined

to falter in the cities, though there are a few of us who keep the game alive in urban areas.

In New York, the football and soccer seasons overlap, which forces choice on anybody who wants to play

**Robbie Walther, 15, plays soccer for Dalton School in New York City. He says that doesn't make him a wimp**

both. I tried football, but once I had experienced the joys of a sport in which it takes 30 minutes to put on pads to play for another 30 minutes without ever actually touching the ball with hand or feet (I was big enough to play in the line), I lost my

taste for it. When I said as much to the football coach, he reprimanded me with words that not only told me he liked anchovy pizza but also that he thought I was a wimp. I was nudged towards soccer.

If the football coach started me playing, I have stayed with soccer because it is different and I love it. It does not involve my hands or brawn but it does involve my feet and brain (speed helps, too). There is no other sport in the world that allows the feet (and sometimes the head) to do the scoring. So, a country where men like Michael Jordan, Magic Johnson, Joe Montana and Lawrence Taylor are labelled as superior athletes has yet to produce a soccer superstar like Pelé, just about the only soccer player anybody has ever heard of.

Other kids my age have not been so lucky to have soccer's history and traditions explained to them, and it is hard for them to learn about the game.

Most start not by playing it but through television. And here's something interesting: we can now see TV commercials that use soccer to sell a product - for example, Snickers candy, in which a man is shown juggling a soccer ball.

The target of this commercial is children, which tells me that the advertising people have worked out that soccer just might be bigger among kids than they had thought. Now we have reports that an eight-team American soccer league might be formed.

On reflection, maybe America got the World Cup not just because its government put in the highest bid but because of people like me, who live in big cities, as well as the suburbanites and the immigrants.

I guess FIFA saw that America could become a great soccer-playing nation, and how much my generation needed a new pastime. Perhaps we are really on our way.

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EDS



## SPORT AND MOTORING



The week's newsmakers, from left: Jeremy Bates, repeating last year's fine performance by British men; nine-time champion Martina Navratilova - given an emotional welcome; and a vulnerable Stefan Edberg, the No 3 seed, beaten in five sets

Wimbledon/John Barrett

# Delay the funeral, tennis is alive and well

The first week of Wimbledon's 108th tournament has produced so much excitement and good tennis that rumours of the sport's imminent demise seem decidedly premature. A heady mixture of nostalgia, emotion and raw-blooded athletic endeavour has given us entertainment of a high order.

Rod Laver, the 53-year-old Australian who was a four-time singles champion at Wimbledon, provided the nostalgia on the opening day.

The red-haired left-hander, looking slim and fit, received a tremendous ovation when the Duke of Kent, president of the All England Club, presented him with a piece of Waterford crystal to commemorate the silver jubilee of his unique second grand slam in 1969.

Following the ceremony, it was appropriate that the world No 1, Pete Sampras, who had idolised Laver when growing

up in California, should have opened the Centre Court programme. A convincing win against Jared Palmer, his neighbour in Tampa, Florida, suggested that anyone with pretensions to Sampras's title will have to produce something very special.

The emotion belonged to 37-year-old Martina Navratilova. Her arrival on the Centre Court was greeted with rapturous enthusiasm by the assembled crowd, who gave the nine-time champion a lengthy standing ovation that brought a lump to the throat.

In my 48 years of visiting Wimbledon, I have never seen anything like it. Fortunately, Martina was not too much affected by the occasion and saw off the challenge of the British girl Claire Taylor without fuss.

The opening day had offered no clue about the drama that lay ahead. True, Cedric Pioline, the No 13 seed from France,

went out, but that was not unexpected on grass.

Suddenly, on Tuesday, the drama began. On the Centre Court, Steffi Graf, Germany's five-time champion, the overwhelming favourite to retain her title, crashed out 7-5 7-6 to the 30-year-old black American, Lori McNeil.

As if in sympathy with her legion of tearful fans, the gods wept. This was the biggest upset in the history of Wimbledon. Never before has a defending champion lost her title in the first round.

The doom-laden skies created a Wagnerian atmosphere. In a match played in three rain-interrupted stanzas, McNeil played glorious attacking tennis at the net to reveal the shortcomings in the champion's game.

In strong, gusty wind, Graf's high ball-toss on serve was a liability. On the still sappy grass, the sliced backhand approaches of McNeil, skidding

through fast and low towards her opponent's vulnerable backhand wing, were superbly effective. Even Graf's famous forehand only worked intermittently.

It was obvious that the champion's confidence, dented by a recent loss to Sanchez-Vicario in Hamburg when she had held match points, and

programme in Houston which also discovered Lori's one-time doubles partner, Zina Garrison. By coincidence, it was Garrison who inflicted humiliation on Graf when she beat the German en route to the final at Wimbledon in 1990.

Graf's unexpected departure left a gaping hole in the draw. The other seeds in the top half

## Turmoil among the men's seeds is one of this year's features

another to Mary Pierce in Paris, was still damaged.

Before they started McNeil, who had beaten Graf once before - two years ago, in the first round of the Virginia Slims - said she fancied her chance in a first meeting on grass. How magnificently she took it.

McNeil is the product of John Wilkerson's public parks

responded well. Conchita Martinez (3), Kimiko Date (6) and even Argentina's fallen angel, Gabriela Sabatini (10), started playing with renewed enthusiasm.

So did some of the unseeded women, such as the Eastbourne winner, Meredith McGrath. Her meeting with Sabatini was the highlight of the third round. Life was not

so easy for McNeil. Reacting from her sensational win, she struggled to beat Yone Kamio of Japan, but at least she survived.

Meanwhile, there was turmoil among the men's seeds. In the course of four days seven disappeared before the third round, including two former champions, Michael Stich (2) and Stefan Edberg (3).

This year Stich lost in the first round in Australia to Malavei Washington and in the second round in Paris to Aron Krickstein. The brittle German had his cup of grand-slam misery filled to overflowing when he was beaten in a delayed first-round match by Bryan Shelton, another black American. At this rate, Stich will soon lose his No 2 world ranking.

The present world No 3, Stefan Edberg, is unlikely to be the man to overtake him. Looking vulnerable on serve from the start, the 28-year-old

Swede was beaten in five rousing sets by Kenneth Carlsen after leading by two sets to one.

Thursday produced two magnificent encounters. In the first, the French Open champion, Sergi Bruguera of Spain, beat Australia's big hope, Patrick Rafter, in a five-set marathon on Court No 1.

Bruguera prefers clay courts and has not played here for three years, but he adapted to the different demands of grass with the skill of a natural competitor.

Some of his acutely-angled touch volleys were a joy and his ground strokes, fixing with topspin, mad life at the net uncomfortable for the game Australian.

How nice it was to see artistic French left-hander Guy Forget restored to fitness after a year away following operations on a knee.

His five-set win against last year's finalist, Jim Courier,

was a joyous and skilful occasion, not least because the two combatants, old friends and rivals, displayed a chivalry that is rare these days. Here were two men giving everything but still able to take joy from their opponent's winners. It left you feeling uplifted.

How stirring, too, that last year's fine performances from the British men were repeated, this time by Jeremy Bates and Chris Wilkinson. At St. Barts is performing as well as ever. Perhaps the responsibilities of fatherhood were what he needed to give him stability and maturity.

Wilkinson, who reached the third round last year, is relieved to be playing at all after enduring one of those frustrating injury spells - in his case a tendinitis of the wrist - that so often end the careers of promising athletes.

It has been a good week for Wimbledon - and for tennis. Postpone the funeral.

As he stood in the Sorbonne this week, paying homage to the efforts of Baron Pierre de Coubertin in 1894 to revive the Olympic Games, Juan Antonio Samaranch, president of the International Olympic Committee, must have felt a sense of irony.

When de Coubertin's invitees met 100 years ago, in the Salle Octave Grevet at the university, the young French aristocrat sought to make his tiny committee internationally powerful. Today, Samaranch is struggling to find ways to make his powerful group smaller.

De Coubertin would have made a superb lobbyist in any modern democracy. In spite of a bizarre appearance - he grew a wide, feathery moustache - the baron was worldly enough to have a hand-picked group of powerful sympathisers who attracted public attention.

By June 1894, after 10 years of effort, de Coubertin had hustled enough support in French public

life to organise his Sorbonne Congress, at which the rebirth of the Olympics was formally discussed. There were 2,000 guests at the opening banquet, with athletes' representatives from 12 countries.

Throughout the Congress, de Coubertin staged fete after fete - including night foot-races and fencing matches in a Parisian playing field lit by 1,000 torches. Trumpet fanfares, military music and fireworks rounded off the events.

The main principles of the Olympics were approved almost without debate, de Coubertin said. These were: four-year intervals between Games, modern sports, no children's contests, different sites for each Olympics and a stable IOC. It

is remarkable how these principles have endured, in spite of developments such as television and sponsorship.

Earlier this year, Samaranch wrote privately to each IOC member asking for views on two subjects: fixed rather than lifetime membership and the involvement of presidents of individual sports federations as temporary members during their terms of office.

So far, 52 have replied - a little more than half. Samaranch is looking for a reform consensus he can bring to the August Congress of the Olympic movement - the first since Baden-Baden in 1981 - but, as one IOC insider put it, "asking members to support fixed terms

is like getting turkeys to vote for Christmas".

One tactic that Samaranch and his executive board seem to be employing, perhaps to show the IOC the dangers of atrophy, is not replacing members who die or reach mandatory retirement age.

No new members have been elected for over two years. And the Lausanne headquarters of the IOC has made no commitment to elections at the congress. Countries such as the UK, Italy and the US, which have previously had two members (as recognition of having held the Games) now have one, simply through non-replacement.

Possibly, Britain is in the most curious position of all. Having

fought hard in the last five years or so, in concert with other Europeans and Americans, against the increasing Latin-American domination of the IOC voting process, the country that gave most to de Coubertin's vision of modern athletics is now becoming marginalised.

Princess Anne is the sole current UK member, but her position and other commitments make it impossible for her to become completely involved in the Machiavellian and high-stakes world of international sports politics.

Sebastian Coe, the Olympic gold-medal runner turned Tory MP, and Craig Reade, chairman of the British Olympic Association, are the candidates to fill the IOC vacancy

created by the mandatory retirement of Dame Mary Glen Haig.

Coe is much liked by Samaranch, who appointed him a member of the Athletes Commission and - notoriously - gave him a personal invitation to compete in Seoul after the middle-distance runner had failed to qualify for the British team. Reade, a former president of the Badminton Federation, is well-connected in the top echelons of sport and would quickly become a force for common sense and less grandeur within the IOC.

Both men are the type the IOC needs to embrace if it is to renew itself for the coming 100 years. But the "recruitment freeze" - based around the Samaranch passion to

reform and tighten the movement - neither will have an opportunity to contribute.

In the US, a similar problem surrounds the vacancy created by the resignation from the committee two years ago of the disgraced Robert Heilmick. The obvious candidate, Peter Ueberroth, maestro of the Los Angeles Olympics, has much to contribute but seems to have little chance of joining the IOC.

There is always friction between a host city and the Olympic committee in the frantic couple of years before a Games. However, relations between Atlanta and Lausanne are unusually frosty, with some senior IOC figures beginning to wonder if it was not a terrible mistake to award the games to that city.

Some of those difficulties - which are likely to get worse in the two years left before the 1996 Games - might have been avoided if the Olympic experience Ueberroth garnered in Los Angeles in 1984 were available within the IOC.

Motoring/Stuart Marshall

## The car substitute with a wiggle

Will the new wave of multi-purpose vehicles (MPVs), such as the Peugeot 806 I wrote about last week, put a stop to the growth of on/off-road 4x4 sales?

I suspect so. But Land Rover most definitely hopes not. All its eggs are in one massive, permanently four-wheel-driven basket. It follows that any move in life-style aspirations away from waxed cotton jackets, green wellies, jodhpurs and knobbly tyres would be bad news.

Ask typical urban or suburban owners why they chose this sort of vehicle instead of a normal car and most will praise the high seating posi-

tion and interior space, even though this can be more apparent than real.

The one thing they never mention is cross-country capability - because they have no intention of leaving the tarmac and would not know what to do if they did. Thus, the benefits of the complicated transmission and high-slung suspension designed for off-road work are never exploited.

A much more logical and effective form of transport would be one of the growing band of MPVs, which combine lots of interior space with a high driving position. But when did logic guide car purchase? So, without taking back a word of the above, I have to

say that the Jeep Grand Cherokee I drove for a week recently was vastly enjoyable to use as a car substitute, even if the back end sometimes wiggled like Marilyn Monroe's.

The 5.2-litre, 212-horsepower, V8-engined Grand Cherokee, with four-speed automatic transmission and permanently engaged four-wheel drive, is as American as mom's apple pie. Never mind the little wiggle; it is wonderfully comfortable because it rides shock-absorbently with finger-light steering and has enough power and traction to master any driving situation.

It will out-accelerate most executive cars and cruise as quietly as they do at business



Chrysler Jeep's Grand Cherokee V8. Keenly-priced American luxury but not out of place in Europe

drivers' speeds on the motorway. It corners capably, with no more body roll than most of its kind. While a big car, it does not feel intimidatingly bulky in narrow country lanes and is easy enough to park. The soft but supportive seats

are leather-trimmed and the interior is not in the least American flash. With its sober colours and polished wood veneer, I thought the Grand Cherokee was understated as a quality European car. It is full of electronic novel-

ties. Display panels tell the driver the day, date, time and outside temperature, when the next service is due, and even the direction in which they are driving. Super-efficient air-conditioning, cruise control, anti-lock brakes and a good six-

speaker stereo are part of the package.

You cannot expect any hefty on/off-roader with an engine the size and power of this one to be frugal with fuel, but the Grand Cherokee is, by no means a heavy drinker. The transmission is so eager to get into the high top gear that a driver content to cruise at the US legal maximum of 55 or 65mph (88 or 105kmh) should see well over 20mpg (14.1 litres per 100kms) on a journey.

An enormous spare wheel and tyre takes up about 20 per cent of the load floor but there is still a lot of room for luggage. And roof rack side-rails, which are built in, have instantly-adjustable crossbars for carrying things such as windsurf boards.

At £27,995, the Grand Cherokee is about £7,000 cheaper than a comparable Range Rover Vogue or Mitsubishi Shogun, but it would look just as much at home at a smart country occasion. The snag is that it only comes with left-hand steering, although there are plans to introduce right-hand drive versions, pos-

sibly by late next year. Unlike Land Rover, Jeep (part of the Chrysler organisation) has hedged its bets. If the trend by then has moved away from on/off-road 4x4s, Chrysler's Voyager MPV will be waiting in the wings, complete with right-hand steering.

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## PROPERTY

Cadogan's Place/Gerald Cadogan

## Manchester gets a breathing space

Back to basins is a surprise theme for urban renewal in Manchester. The basins belong to the city's many canals and were used by traders and commodity dealers in the 19th and early 20th centuries to unload their goods, cotton chief among them. The basins were taken to red brick warehouses as grand as palaces.

By 1988, however, when the Central Manchester Development Corporation took control of 470 acres, 40 per cent of the land was derelict while the canals were in disrepair or full of contaminated waste. The population was down to 250.

Over the years, the basins had been filled in and built over. Luckily, many of the great warehouses survived. What could be done with them to re-emerge the city's heart? The answer was to use the

canals - there are eight miles of them in the CMDC's patch - and dig out the basins as open spaces to encourage pleasure craft while converting the warehouses to flats and mixing in new buildings on the quaysides around the basins.

The aim was to clean up the area and provide sophisticated living in historic surroundings in order to lure people back and let central Manchester breathe again.

It is working. There are now about 2,000 residents and there will be 1,040 more from September when a student village opens at the

old Dunlop Buildings where Charles Macintosh invented his raincoat around 1823.

Such developers as Housing Projects, Bellway, Macbride, the Manchester Ship Canal Company itself, Piccadilly Village and Wimpey are thrilled at how their schemes have sold, often right off the plan.

Macbride is building on Slate Wharf, beside the Bridgewater Canal, and Bellway at Woodlam Place in Liverpool Road, opposite the world's first passenger railway station. Flats in these developments start at around £50,000.

The smartest conversion - and selling fast, although only a few days on the market - is a warehouse beside the Rochdale Canal at 42-44 Sackville St.

The Manhattan Loft Corporation, fresh from successes in London at Summers Street in Clerkenwell and Wardour Street in Soho, is turning a superb building - rich in beams, cast iron and high ceilings - into 35 shell flats which buyers will finish themselves. Prices from £24,000.

Meanwhile, if you are a developer looking for a warehouse to convert,

the CMDC (061-336 1166) will be happy to suggest some.

New listings, an important sign of confidence, also fell: 6.5 per cent fewer in May than in April, which was 11.3 per cent down on March. Despite the overall slide, London is a different story. Winkworth, with 33 offices in the capital, reports that sales agreed rose 40 per cent from January to March, fell 21 per cent in April, and recovered 9 per cent in May.

Noting 30 per cent price rises in central London since October 1993, 10 per cent in Battersea, Fulham, Hammersmith and Islington, and "significant" increases further out,

Winkworth expects prices to peak in the next month and then perhaps to fall back slightly in the second half of the year when, normally, fewer people try to buy.

□ □ □

Two modernist 1930s houses are on the market. F.R.S. Yorke (of Yorke Rosenberg and Marshall, now the Y.R.M. Partnership) designed Torilla in Hatfield, Hertfordshire, when he was 27. Listed grade II\*, it needs work to restore it as a gem of the enlightenment between the wars. Rumball Sedgwick (0727-852 384) asks around £220,000.

In St John's Wood, north London David Stokes built 5 Cochrane Street NW8 in 1937 and has been there ever since. Now, though, it is time to sell. Brian Lack (071-586 5929) asks £495,000.

## Conservation

## It's the mixture as before

There is a minor revolution going on in the building trade. At the heart of it is a four-letter word, the roots of which go back even further than those four-letter Anglo-Saxon words much favoured by British workmen.

The word is lime. For approaching 20 years it has been much favoured in building conservation circles, but the problem has been one of converting the ordinary builder back to lime, according to masonry consultant Bob Bennett.

Bennett runs the Lime Centre, a small enterprise dedicated to training people in the use of this most ancient of building materials.

"Man has been using lime for 3,000 years," he says. "Cement is a mere passing phase. Unfortunately, since the second world war when cement became widely known through its use in concrete defences, not only builders but also private individuals have turned to it for repairs to traditional buildings."

"Usually, this is all wrong. Almost all these buildings were built with lime mortar, which is far less harsh than cement, more forgiving and, above all, allows buildings to breathe."

Lime is on the way back, though. It began in the mid-1970s with the start of a 12-year programme of conservation on the west front of Wells Cathedral in Somerset, and now there is a handful of experts who, like Bennett, run regular courses on

using this material. At the Lime Centre, Bennett's fortnightly courses attract private individuals as well as builders, architects, conservation officers and other interested professionals.

In the Chilterns, building conservator Ian Pritchett runs similar courses. Like Bennett, he slakes lime and supplies it to specialist restorers.

"We seem to be gaining more

because of the vapour-permeable nature of lime mortar, which means that moisture absorbed by the fabric emerged through the joints. Insert a modern pointing of Portland cement in an old wall and damp is likely to stay in the wall, say the proponents of lime."

"If a wall can't breathe the result is often damage to brick and stone-work - or even to the whole wall," says Bennett. "The answer, particu-

*Lime was used to make mortar 3,000 years ago. Now, it is causing a minor revolution in the building trade, says Clive Fewins*

enlightened clients on our courses all the time - especially surveyors - but we could still do with more builders," he says.

Near Stroud, in Gloucestershire, Woodchester Mansion Trust is using the unfinished Victorian mansion there as a focus for the revival of traditional building skills. The trust runs occasional courses on the use of lime mortars in stone buildings.

And, at Gosport in Hampshire, the English Heritage Conservation training centre at Fort Brockworth also runs courses based on the use of lime.

The key to the "back to lime" philosophy is the fact that old buildings breathe. In the past, it was accepted that this happened

early in older buildings, is to replace like with like - which usually means lime.

"People forget that until the coming of Portland cement in 1824 lime was in common use in the construction of virtually all buildings."

"The ancient Egyptians used it, the Greeks appreciated its qualities and, in this country, the Romans used it very widely, and many buildings right up until the outbreak of war in 1939 were built with lime mortar."

In the widespread move back to lime mortars, many builders still resist the trend, according to architect Rodney Black of East Bergholt, Suffolk, who has been specifying lime mortar for work on traditional buildings.

"Many builders avoid lime mortars if possible because they are slower to lay than cement mortars," he says.

In some parts of the country, however, their use has barely died out. In Devon, where many of the older buildings are made of cob - a mixture of clay and straw - large quantities of lime were always used. Builder Kevin McCabe, of Colyton, near Honiton, is one of a handful of builders who has always used lime on old buildings.

For several years, he has done his own slaking. "It is a cheap, relatively quick process and you know exactly what you are going to get," he says. In spite of the lime revival, however, it is still unusual nowadays for builders to slake their own lime.

"Lime has such a good track record. It should not be taken as read that all new building developments are necessarily better than the original," says McCabe.

Information: The Building Lime Forum, 2 Cross Cottage, Kidlington, Oxfordshire OX20 1BN; The Lime Centre, Long Barn, Maresfield, Winchester, SO21 1LZ; Building conservation training courses, Fort Brockworth, c/o English Heritage Room 528, Keysign House, 429 Oxford Street, London W1R 2HD.

L.P. Building Conservation, Holm Tree Cottage, Binfield Heath, Henley-on-Thames, Oxfordshire RG9 4LR; Woodchester Mansion Trust, 1 The Old Town Hall, High Street, Stroud, Gloucestershire GL5 1AF.



Villagers at Blewbury, Berkshire, rebuilding a cob wall

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## BOOKS

The life of Joseph Chamberlain was so full and varied that his official biographer, J.L. Garvin, needed 15 years to complete the first three volumes, then gave up. Julian Amery picked up the baton and took another 20 years to complete the story. There have been other, shorter books, but the long, detached study comes only now from the North American historian, Peter T. Marsh.

One can see the difficulties. Chamberlain conforms to no recognisable pattern in British politics. He grew up in London, but made his name in Birmingham. He left school at 16, but was already pretty well educated. His father put him into business in Birmingham, but he became known as the screw king, because it was screws that his companies manufactured. He was arguably the most successful mayor in the history of British local govern-

## An outsider who never quite made it

Malcolm Rutherford on the politician from Birmingham who exercised influence without much power

ment. Under his stewardship in the mid-1870s, no corner or institution in Birmingham was left untouched by his reforms.

Then he went into national politics. For a time he flirted with New- castle, and had a fling at Sheffield where he failed. So he fell back on Birmingham which provided his political base for the rest of his life.

The political society of the time did not understand such an outsider. London's reaction to Chamberlain was distinctly snobbish. There was a terrible row about his putting up his relatives for the Reform Club. Years later, when he was Colonial Secretary and in the absence of the prime minister had

to entertain the Kaiser at Windsor with the Queen, a foreign office mandarin noted: "We can only hope that Birmingham has not given himself away." In short, he was thought to be unsophisticated.

His political career, though it had some peaks, was turbulent throughout. Some of the troughs, and the reason why he did not make it to Downing Street, were undoubtedly of his own making. Chamberlain was initially a radical Liberal, much more so than Gladstone. But, as Marsh demonstrates, it was more his personal rivalry with Gladstone rather than a difference of political beliefs that led to the two men falling out. Chamberlain could have

JOSEPH CHAMBERLAIN:  
ENTREPRENEUR IN  
POLITICS  
by Peter T. Marsh  
Yale University Press, 725 pages

sought a compromise on Irish policy; instead he became a Unionist. Gladstone stuck to Home Rule and the party split. The other result was that Gladstone stayed as leader.

Chamberlain was to change his mind again, and damage other parties, on other subjects. He became the great imperialist and advocate of tariff reform, having once been in favour of free trade. He may thus go

down as a wreck rather than as a politician of achievement. Yet there is something in the phrase that he exercised influence without much power. Most of the social reforms of the late 19th century had something to do with him: education, pensions, compensation for industrial accidents. He was politically astute in realising that the Conservatives could be a reforming party because they drew support from both ends of the social spectrum.

There were more tangible monuments. Chamberlain founded the University of Birmingham. As Colonial Secretary he was a great promoter of tropical medicine. He was partly responsible for the founding

of the state of Nigeria.

True, there are murkier sides. Even now it is still not clear how far he gave implicit encouragement to the Jameson raid in South Africa; certainly he gave a very indiscreet briefing to the African correspondent of *The Times*, who had a direct line to Cecil Rhodes.

On the whole, however, Chamberlain was his own man. Winston Churchill wrote of him in *Great Contemporaries* in 1957: in British affairs "Joe was the one who made the weather". Marsh adds perceptively: "But no man could change the climate". The rest of the country was not like Birmingham.

Chamberlain's entrepreneurial

career peaked in the mid-1870s, just as the US and Germany were beginning to overtake Britain's industrial capacity.

In politics he thought that the development of the empire could be used to raise the standard of living of the British working class. In the most devastating comment of all, Marsh concludes that the industrialist turned statesman thus overlooked the technological advances being made elsewhere. He turned his back on innovation.

The truth is that Chamberlain had the good German virtues. He admired Bismarck for his social policies and belief in education, but because he did not want British possessions overseas to pass to the Germans, Chamberlain remained essentially a loner. The nicest story about him is that musically he was so tone deaf that, even as the arch man of empire, he could not recognise the national anthem.

## Versailles to Savile Row

Brian Sewell takes the suit to task

His genteel history of the suit, modelled on the limp volumes of belles lettres and collected aphorisms that in the 1920s littered the lavatories and lesser bedrooms of the country house, ends on a "naughty, tut-tut" note - "it is, avers the writer, 'rude to be ill-dressed'. It is particularly rude to dress squallidly at the opera..." A three-button-coated dark suit from Marks and Spencer is strongly recommended.

As one who weeps at almost every opera, I should look and feel twice as foolish in a suit as I do in the crumpled sweater that engages Master Amies' despite. A suit demands a stiff upper lip and a straight back, but Mimi demands that I be reduced to a sobbing heap slumped in my stall, and for that a suit is far from suitable.

The Master traces the history of coat, trousers and vest from the Versailles of the Sun King to Savile Row; he touches it with great events and famous men as taste swings this way and that across the Channel, with fops and clowns and macaroni, with Brummell and the Comte d'Orsay, and with assorted asses playing *Crime of Wales*. In 1924, within these pages, the history of the suit becomes the history of Hardy Amies, and Burton, Hepworth, Tommy Nutter and the flashy Mr Fish swim into view.

The thread breaks from time to time, giving way to disconnected jottings and asides on class, tradition, the National Trust, Country Life, daffodils and daisies - "Latin should be taught intelligently and

interestingly in every school," the high-toned English too breaks down, gentlemen become gents, their suits gear, and we "get back to basics" with strictures on the shirt and tie and coy diversions into underpants.

The repeated justification for this book and the life and work of the Master is the snobbish refrain that the suit is the dress of the gentleman - but it is also, the doubter must observe, the dress of the politician who wishes to be mistaken for a gentleman, too easily camouflaged by expert tailors, manicurists

THE ENGLISHMAN'S SUIT  
by Hardy Amies  
Quartet £12, 120 pages

and the hairdresser (Mrs Thatcher's cabinets were full of them), and for the businessman it is a uniform.

Politics, business and the London club secure the future of the suit well into the next millennium, prophesies the Master; as one for whom it seems the most grotesque and impractical of garments, quite hopeless for walking dogs, listening to opera, eating in cool comfort, driving a car, painting pictures or enduring travel in an aeroplane, I wish that he would turn his attention to other forms of formal dress and I commend the cassock that I wore as altar boy, a thing of tailored dove grey silk, a thousand buttons from throat to ankle, a touch of lawn about the neck - no puzzle-bugger jacketed suit could ever match its easy elegance.



A small child gazes transfixed at the shrine of Saint Minna in Brion, Galicia: one of 157 colour photographs from *Festivals and Rituals of Spain* by Cristina Garcia Rodero (Harry M. Abrams, £40, 296 pages). Ms Garcia Rodero, professor of photography at the University of Madrid, has captured the rich fusion of ancient pagan ritual and solemn religious rite with its parades of jesters, musicians, peasants and carousels in an apparently endless cycle of celebrations. The poet and novelist J. M. Caballero Bonald provides the introduction and a map shows the locations of the villages photographed, most of them unknown to tourists.

## African journeys

J.D.F. Jones discovers a classic-in-waiting

an Jacobson has taken time off from his distinguished novels to go home - home to Kimberley, the diamond town, and thence to travel up the "Missionary Road", that ancient African route which slips between the Kalahari and the Boers and finishes at the Zambesi and the Victoria Falls.

It is not one of the region's finer scenic routes, featuring as it does countless miles of thorn, sand and scrub, so Jacobson has to explain that he was attracted to the journey in part by its historical interest, in part by its personal reference - "that half-known, half-forgotten region which had lain forbidden on the very doorstep of the Africa I had grown up in". We are to be taken back, then, to the scene of his early - brilliant - novels, before he graduated to a London professional chair and ambitious novels on Old Testament themes. The best thing in *The Electronic Elephant* is his description of the Northern Cape veld, which sends us back after all these years to *A Dance in the Sun* and its images of a furious Afrikaner isolation.

The route to the north was indeed important to the 19th-century missionaries, who were in the vanguard of colonial conquest. "The Livingstone Liquor Stall" in Campbell, near Griquatown, is a reminder of the presiding genius of the tale. It is a road, argues Jacobson, littered with the wreckage of successive ideologies: European imperialism, Boer nationalism, Victorian racialism, apartheid, African liberation, Marxism - and Christianity, which alone has survived, and prospered, in its peculiar African styles. In a

lovely scene in the Kuruman mission church the secular Jewell Jacobsen and his able wife are the only congregation at the Easter service: "Making sense of my presence there was impossible; impossible also not to feel the strange mixture of wonder, embarrassment, mirth, fraudulence, compassion for our hosts, even a kind of protectiveness towards them."

This is, as you would expect, a journey informed by the novelist's eye. He encounters Bushman soldiers brought

THE ELECTRONIC  
ELEPHANT  
by Dan Jacobson  
Hamish Hamilton £17.99,  
373 pages

HAPPY SAD LAND  
by Mark McCrum  
Sinclair-Stevenson £16.99,  
435 pages

INNOCENTS IN  
AFRICA  
by Drury Pifer  
Granta Books £15.99, 338 pages

back for their safety from Angola by the South African Defence Forces whose forebears had massacred them to near-extinction (it is, as he says, "surreal"); he meets a group of far-right Afrikaners who are preparing for their own ethnic, on-screen state; he returns, always, to the history of these obscure territories; he notes that it was platinum as well as tourism which transformed the economy of President Mangope's Bophuthatswana; he has the expatriate white South African's gentle scepticism of the future ("A 'non-racial' South Africa? One might as well talk of breeding a kosher pig...")

When he moves out of the Republic he is less confident: he does not respond to Botswana and is ill at ease in Zimbabwe. The single map is inadequate, the absence of an index is regrettable, and he can't spell Mmabatho.

Mark McCrum has published

the story of another journey around Southern Africa. The scheme is simple: McCrum spent time in Botswana as a teenager in 1977 and liked it; 15 years later he went back. Cued to a pleasantly readable account of his travels and his undramatic adventures. McCrum has a good ear for dialogue and does not take himself too seriously. *Happy Sad Land* makes an interesting, relaxed, unessential read for anyone interested in that part of the world. He can't spell Van Zyl Slabbert.

The best of the bunch, the surprise, the curiosity from out of the blue, the classic-in-waiting, is Drury Pifer's *Innocents in Africa*. Pifer is an American, a playwright who was brought up in Southern Africa in the 1950s as son of a mining engineer who was employed on the Rand. In Kimberley, in South-West Africa, and then in Kimberley again.

Pifer has produced an entrancing memoir of childhood in pre-apartheid days. This book, written with superb precision and elegance, its recall of detail based on access to his beloved mother's letters home, is utterly fascinating about the South Africa of those pre-war years, yet it is more than this, it evokes and recreates the intimacy of the life of a happy family of half-a-century ago. The fact that they were Americans gives a unique view of the English-Afrikaner tensions of those formative years, but the deeper subject is its poetic recapture of the experiences of childhood which most of us never recall in more than fragments.

The Pifers went back to America at the end of the war. "It didn't occur to us that this journey out of Africa was the last time we would find ourselves together and happy, day after day, perfectly matched in our non-stop prattle and familiar love..." The boy never went back.

*Innocents in Africa* deserves a much longer review: let this be a shorthand recommendation of a wonderful book. He can't spell Japie.

A chord is immediately struck by Selbourne's claim that the contemporary social order is corrupted by its overemphasis on rights and demands, and by his call for a new order based on civic bonds of duty. No doubt many will immediately see the welfare scrounger as the paradigm of what Selbourne attacks; but his views apply equally to those whose self-enrichment is made possible by the protection of society, but who resent contributing, whether through taxation or otherwise, to its common good.

Selbourne's diagnosis of society's present disease is telling, and although his prescription for its remedy is not novel, it is timely and compelling. In an earlier work, *The Spirit of the Age*, he described the collapse of society into a "phantom order" from which meaningful social relationships have vanished. In this new work he argues for a revitalised civic order based on principles of duty and obligation. Both the right and the old left in politics are roundly criticised for their role in the collapse of society, and Selbourne offers in their place what he calls "socialism", written with a hyphen to show that it is not the old socialist theory which "reduces

## Society versus self

A.C. Grayling considers rights and responsibilities

manhood to the level of the barracks-room", but a reawakened civil polity which opposes the greed and self-interest of individualism, the primary cause, in Selbourne's view, of the wreck of our civil polity.

Society, Selbourne argues, is in a state of collapse and "disaggregation" because it has espoused an amoral politics of "duties" rights and freedoms. Emphasis on rights without duties, demand-satisfaction and self-realisation through unfettered freedom, has created a moral vacuum. When the duties individual calculates how to act, mere self-interest is his only criterion. In such circumstances no civic order can flourish.

Selbourne's solution is to reassert an argument which both the liberal tradition and the common law have long recognised, but has been progressively ignored: that people have duties to themselves, their fellows and society, which are fully the moral equivalent of their rights. This "principle of duty" is an expression of the constraints

THE PRINCIPLE OF  
DUTY  
by David Selbourne  
Sinclair-Stevenson £15, 288 pages

and helping others; and "bestowing pains upon the preservation of the civic order". There is also a duty to conserve natural resources and society's historic patrimony, and to fulfil obligations of public duty such as undertaking military service when necessary, sitting on juries, and contributing to public funds by taxation. Selbourne proposes a variety of sanctions for those who fail in these duties, based on loss of rights and privileges in various ways including those already familiar.

Some, especially on the left in politics - Selbourne's own natural terrain - will find some of these ideas reactionary. They have certainly been unfashionable for long enough to make their revival a novelty. Politicians on the right occasionally table-thump about duties and respect for society when addressing Party Conferences on law and order issues, but never when talking about taxation, long-term investment, or public spending on education and health. Mrs Thatcher famously denied the very existence of society, suggesting thereby that it is the individualism of the right which is most dismissive and destructive of social ties.

But Selbourne is correct: one where there is a strong sense of a civic bond between people, with all having a lively mutual sense of values, can there be a flourishing and progressive social order. A model is provided by memories of wartime, or at least the more nostalgic versions of its camaraderie, its sense of community and cooperation. However

dewy-eyed the ideal might be, one cannot call it unworthy.

There are of course problems with Selbourne's picture. His views are right; the difficulty is how to implement them. Society is so uneasily plural and fragmented, its members so divisively sold on the supreme value of getting and having, how can one be sanguine? Selbourne's vision is one at which a pre-industrial city-state might aim, if its leaders and teachers were honest and its economy such that competition among its members rarely involved conflict and anxiety - the twin spectres of the market place, where only some can be winners. But can vastly populous, fissiparous, strident modern societies, brought up - at least during this last decade and a half - on a particularly naked version of the politics of self-interest, hope to change?

Hostile critics will claim that Selbourne is being self-importantly oracular in this book, offering it as a gospel for an anxiously waiting world. But charges of pretension will be misplaced; he has tried to think his way not just into the theory of a better social order, but of its practicalities. There is much in what he says that demands and deserves very careful thought.

Fiction/Joan Smith

## The limits of love

MOTHER'S BOYS  
by Margaret Forster  
Chatto & Windus £14.99,  
313 pages

THE BINGO PALACE  
by Louise Erdrich  
Flamingo £14.99, 274 pages

one of the teenagers convicted of the attack; she brought him up after her own daughter died. Thus Forster sets the scene for a novel about mother love, and about the fierce protectiveness both women feel towards the boys they have brought up - a protectiveness which, far from helping them to understand what has happened, actually gets in the way of it.

For the heart of this novel, unusually for Forster, is not illumination but its opposite. It has a fly-on-the-wall quality, exposing the women's inner lives and even bringing them together in an ineffectual attempt at mutual understanding. Yet all Forster seems to be offering is a statement about the limits of unconditional

book is essentially a love story in which a young drifter, Lipsha Morrissey, competes with Lynman Lamartine, his boss and half-brother (or possibly his half-uncle), for the love of Shawnee Bay, a gifted seamstress who is also the mother of Lynman's illegitimate son.

The novel is set on an Indian Reservation whose inhabitants simultaneously live in the mundane present (Lynman is the owner of the Reservation's chief attraction, a bingo hall) and a mythic past. Erdrich has written about this past in the earlier novels, demonstrating the way in which the Indians' continual creation of myth - making themselves larger than life, endowing themselves with supernatural powers - was a means of compensating for the

bitter reality of the white settlers' decimation of the tribe.

The problem with *The Bingo Palace* is that it displays no ironic detachment. What seemed in the earlier books a celebration of tradition now feels like whimsical folkiness; we are continually presented with characters who refuse to die or who possess magical powers. Erdrich's writing strains after effect, imposing mystical interpretations on everyday events like birth and death: "The red rope between the mother and her baby is the hope of our nation. It pulls, it sings, it snags, it feeds and holds. How it holds." This is all the more disappointing because Erdrich is a talented writer. Perhaps she has come up against a present which she is at a loss to interpret, and has fallen back on a narrative style whose limitations are now obvious. It will be interesting to see what she does now, and whether she can escape from her self-created cul-de-sac of Reservation chic.

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## ARTS

# Why maestros don't throw wobbles

Antony Thornecroft explains the different rules governing classical and pop recordings

We all know that pop stars spend as much time in court as in the studios and that there are few artists who have not at some time fallen out with their record companies over royalties and advances. But could the same thing happen in the classical field? Could Pavarotti throw a George Michael-style wobble and take Decca, his recording company, to court?

In general, the classical departments of the record companies are considerably more variegated environments than their pop counterparts: there is still an over-riding commitment to art for art's sake. Profits are perceived as less important than the wonderful creations that they are laying down for posterity. In practice, this has meant that the classical departments of the large record companies are less-making and they have been subsidised by the more lucrative pop sections.

The rules that govern classical music recordings are, in most cases, the complete opposite of the cut-and-thrust workings of the pop business. It is the classical artists, especially the handful of established divas and maestros, who

have the record labels over the financial barrel. When the maestro coughs, the record executives jump.

In pop, major stars tend to earn most of their fortunes from their records and use live performances to promote the sales of albums whereas a prestigious record contract is a useful promotion for the source of the real money in classical music - the concert halls and the stages of the opera houses. A handful of big name stars - Pavarotti, Domingo, Kiri te Kanawa, etc. - have quickly learned to exploit their commercial appeal and moved out of the opera house claque into the entertainment media, with vast open air concerts, emphasising the superior earning potential of the live performance for the classical star.

In pop, talent scouts scour the country in search of new acts which they strive to exploit quickly during the brief period of their fashionable shelf-life. In classical

music, companies like Philips have been known to sign up young tyros and then hold them in creative suspension for years until they feel that their musical skills have reached a sustainable pitch.

They might then nurse them, and their loss-making recordings, for many more years until concert performances have finally delivered a revered reputation. Classic contracts inevitably tend to be for long periods, with the knowledge that when the breakthrough comes, sales tick over for decades. Most of the annual revenue on the classical side comes from recordings made long ago.

In pop, companies jealously guard their artists and are reluctant to let them record for rivals while top conductors and classical soloists take periodic "holidays" to make occasional albums with competitors. Classical companies accept the tradition of lending artists to other labels.

In pop, record companies want their artists to keep churning out repeats of their last hits. An established classical artist, however, can virtually perform what he or she chooses and there is a greater reluctance to force artists into the studio to complete a contract. If the inspiration has gone, the label accepts the loss.

Record companies have regarded their classical subsidiaries as cultural loans ensuring prestige rather than profits, which take years to accumulate, and much depends on the good personal relationship between artists, agents and record company personnel. Loyalties are generally enduring. Pavarotti has been with Decca for thirty years.

Classical albums might sell annually in their hundreds, rather than the hundreds of thousands of a pop hit, but they keep on selling. The

\$500,000 recording cost of a major opera might be amortised over 20 years. Advances are generally low - \$25,000 for a newly signed artist - but there are no deductions. A new pop act might be dazed by a \$250,000 advance but by the time the cost of studio time, promotional video, and marketing have been deducted there is often little left.

Unlike the pop industry, the classical world is selling repertoire rather than a name. Stars are important - on their broad backs the record labels hope to off-load to the shops the low priced, economically produced, recordings from eastern Europe and elsewhere, which supply music rather than masterpieces. But the serious enthusiast of classical music buys a sound rather than an over-hyped reputation.

There have been whispers that the gentlemanly idiosyncrasies of the classical companies are under threat and the emergence of Sony,

George Michael's label, which acquired CBS, has caused some unease. Its Japanese management has a passion for classical music and poured millions into building up the American record company's rather lack-lustre classical catalogue. There was also a spell of unfamiliar "poaching" from other labels and advances were inflated throughout the classical world. Some of Sony's more costly commitments sadly back-fired - both Von Karajan and Horowitz, lured from DG, died before they could record for their new masters - but the new Sony list is impressive: Maazel, Mehta, Abbado, Muti, Baroni and Giletti, and the Berlin Philharmonic. The company has yet to translate its investment into an increased share of the market.

The sudden phenomenon of the classical hit also caused ripples. The money men at head office received a jolt when Pavarotti and the Tenors, Nigel Kennedy,

Gorecki, Taverner and, this year, Spanish monks chanting the Gregorian ritual, suddenly started to sell in pop-like proportions. But excited board room speculation that classical music could be the much-needed new musical craze were soon scuppered by sales figures. Even in recent years classical music has never managed to rise above 9 per cent of total record sales.

Most classical artists will still be more interested in developing a satisfying long creative career than cashing in their skills. The very limitations in the size of the business inhibit financial excess. Specialist record labels, like Confir, which attracts artists who share its interest in exciting interpretations of the classics, know that they cannot afford to embark on an auction. Agents, too, want long careers for their artists: not a pop star's brief hour in the spotlight. Joske Van Walsam protects his artists from signing recording contracts because he feels they have not yet achieved the required maturity. Pop music sold its commercial soul to the devil decades ago; in classical music there is still some integrity. That is one advantage in being a minority taste.



Arch Higgins and Jennifer Ringer in New York City Ballet's 'Correlations' by Miriam Mahdavian, part of the company's Diamond Project

Paul Kilian

## Dancing into difficulties

American ballet companies are losing their way, says Joan Acocella

Last December *The Red Shoes*, a musical comedy based on the world's most famous ballet movie, opened and closed on Broadway. It says something about the current state of ballet in New York that, a few months later, both of our major ballet companies were found serving up the funeral menu: cold. At American Ballet Theatre, one of the spring season's featured offerings - indeed, a trumpeted event, with five performances added ("by popular demand") before it even opened - was the silly little ballet that the modern dance choreographer Lar Lubovitch had created for that musical.

Meanwhile, the star of *The Red Shoes*, Margaret Illmann of the National Ballet of Canada, apparently no sooner got back to Toronto and fed her cat than she got a call from New York City Ballet. Not to be outdone in *The Red Shoes* salvage department, NYCB invited her to dance three guest performances during the spring season.

A glamorous past, an aimless present feeding off that past while trying to figure out whether there is going to be any future - that, right now, is the story of ballet in New York.

In addition to *The Red Shoes*,

ABT dredged up Antony Tudor's 1963 *Echoing of Trumpets*, a highly sensationalist anti-war ballet (Nazis, gang rape on point) and produced James Kudelka's *Cruel World* (to Tchaikovsky's "Souvenir de Florence"), a highly sensationalist ballet not about war but about how many slams hang gymnastic pas de deux - with the woman spun, swung, flung, caught at the last possible second - you can pack into one ballet. Six, as I recall.

*An aimless present, feeding off a glamorous past while trying to figure out the future, is the story of ballet in New York*

But the major event of ABT's season was a new *Nutcracker*, choreographed by company director Kevin McKenzie to a libretto by playwright Wendy Wasserstein (*The Sisters Rosensweig*). Like so many *Nutcracker* revisers, Wasserstein has made the ballet more rational, more up-to-date. But above all what she has done is make it more complicated.

This ballet has things no *Nutcracker* has ever needed before: unicorns, Jewish jokes, four ballerinas. Meanwhile, the things a *Nutcracker* does need - a tree that grows, a battle that starts with the battle music, a party scene where you can tell who the mother is - it doesn't have. Nor are there

any interesting dances. The big duet for Clara and her Nutcracker is an almost comically ungainly number. The night I was there, the excellent dancers Ashley Tuttle and Gil Boggs looked as though they were afraid they were going to be killed.

While ABT invested most of its resources in this big, bad production, New York City Ballet put its eggs in twelve little baskets. In 1992, the company staged a festival called

The complication ballet is descended from one aspect of George Balanchine's work, as reinterpreted by his successor as NYCB director, Peter Martins, and it was Martins's contribution to the Diamond Project, *Mozart Piano Concerto*, that provided the purest example. In the slow movement, the principal dancers had so many niceties to cope with - turns tilted and twisted and embellished and reversed halfway through - that they could

with their legs crossed; they somersaulted off their partners' shoulders; they sweated and gasped. These are not the kinds of exertions that keep ballet companies in shape. Both ABT and NYCB are fielding some thrilling young dancers - notably, Ethan Stiefel and Jennifer Ringer at NYCB and Paloma Herrera and Ashley Tuttle at ABT - at the same time that general company standards are falling.

In a recent performance of Balanchine's *Mozartiana* at NYCB, the four woman corps moved as if through custard. For this situation, various reasons have been advanced, including the death of Balanchine and other revered masters. "All our icons in the dance have pretty much passed on," ABT principal Cheryl Yeager said in a recent interview with *Dance Magazine*. "We don't have to cut off our heads to be ballet dancers any more." The decline will only be hastened, however, if choreographers, looking for something striking to do, create steps so difficult that they cannot shape or phrase them - in effect, cannot dance them but only hope to get through them somehow.

A few promising pieces issued from these unpromising molds - Miriam Mahdavian's *Correlations*, Richard Tanner's *Episodes & Sarcasms*, Kevin O'Day's *Viola Alone* - but that is three out of 12, and all three needed more work. In a ballet world nearly void of interesting new choreography, the Diamond Project sounds like a good idea - throw everybody into the pool, see who swims - but perhaps it isn't. With so many choreographers, each is given too small an honour, too small a challenge, and this may have contributed to the extreme conventionality of their works. The company would probably be better served by operating in the usual way: commissioning two or three works and thus placing serious bets.

Apart from its general mediocrity, what struck me about the new ballet choreography this spring was how primitive it was. Dancers pivoted

Off the Wall/Antony Thornecroft

## Face-lift for listed National Theatre

On Thursday Heritage Secretary Peter Brooke declared the National Theatre on London's South Bank a listed building. And on Thursday Richard Eyre, the NT's director, announced that Sir Denis Lasham's unloved creation was to be subject to a substantial face-lift.

Time may improve the look of the National but concrete brutalism, circa 1970, is currently out of popular favour. Richard Eyre's diplomatic embellishments, which include closing the ugly road that circles the place and knocking down a superfluous walkway to create a square stretching to the river, are a small step in the right direction. Sealing and cleaning the concrete before it starts to crumble may also soften the over-riding menace of the fly tower.

So, is an artistic redevelopment to be warmly welcomed. And although it is dangerous to distribute Lottery money before a pound has actually been staked, the National must stand a good chance of being an early beneficiary. For of course Richard Eyre can only afford his \$7m refurbishment if he gets Lottery aid.

He anticipates raising \$3.5m from the National's friends with the rest coming either as a millennium project or from the Arts Council's Lottery fund. The National is enjoying an artistic flowering; it runs a tight ship financially and never publicly asks for more subsidy; the building is more successful inside than out and money will be spent here. This seems a Lottery project with a favourable wind behind it.

Adding to its prospects was the news that Peter Brooke and his fellow Millennium Medici's have decided to devote some of the £100m plus a year they will distribute to smaller projects, as well as a dozen major schemes. The National's \$3.5m falls neatly into this category if its alternative source, the Arts Council, should prove unexpectedly difficult.

Peter Brooke has shed some light on his thinking. The number of substantial millennium projects has been raised from the rumoured eight to a dozen, which should encourage the more peripheral projects like the Chester auditorium and Albertopolis. As expected, he intends to support bursaries.

He also gave tentative backing for the idea of a major festival on the lines of the 1951 Great Exhibition. Surely no time can be wasted if this project is going to be a serious contender rather than a half-cocked diversion.

When Charlie Allsopp calls to order the salaroom at Christie's at 7pm on Monday evening and takes bids on a tiny Boudin landscape, the art world will hold its breath. This

*Here is an artistic development to be warmly welcomed*

auction of post-1870 art, taken with a similar offering at Sotheby's on Tuesday, will determine the fate of the season.

In the good old days, \$50m and more might be raised from an hour's frantic dealing at this annual summer sale. Now both auction houses will be happy to bring in half that. The auctions are very selective, with just 50 or so lots at each. Vendors have been persuaded to accept modest reserves. The pictures are mainly fresh on the market, with enticing historical pedigrees. The preparations have

been meticulous, for another disaster could set back the price recovery in art for another year.

Christie's has the good later stuff, including one of the eight Ateier pictures that Braque painted in the 1930s. It sold Ateier VIII for \$4.3m in 1992, when the market was at rock bottom. The top estimate of \$3.5m for Ateier V shows excessive caution.

Sotheby's has the better earlier works, including the first sketchy version of Manet's most important composition, that bar girl at the Folies-Bergère, a star of the Courtauld collection. The \$3m estimate seems modest. The other Sotheby's gem is one of the ten paintings of poplars Monet completed in 1891. Here again \$2m is expected. A sign of the times is the \$750,000 estimate on a haunting painting by Magritte: in 1988 it sold for over \$2m.

Perhaps Sotheby's and Christie's will have calls from a mysterious telephone bidder, like the one who transfixed Bonhams' auction of Gothic art last Monday. The sale almost doubled its forecast at \$271,000, with a bid designed by Pugin's son Edward in 1865 making \$28,500. The new owner of the bed, and much else from the sale, is that well known Hollywood Goth, Cher.

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**ART DECO ORNAMENTALS**

A NEW SECTION OF THE ARTS COUNCIL'S 'ARTS COUNCIL' GALLERY - 200, 201 & 202, 203 & 204, 205 & 206, 207 & 208, 209 & 210, 211 & 212, 213 & 214, 215 & 216, 217 & 218, 219 & 220, 221 & 222, 223 & 224, 225 & 226, 227 & 228, 229 & 230, 231 & 232, 233 & 234, 235 & 236, 237 & 238, 239 & 240, 241 & 242, 243 & 244, 245 & 246, 247 & 248, 249 & 250, 251 & 252, 253 & 254, 255 & 256, 257 & 258, 259 & 260, 261 & 262, 263 & 264, 265 & 266, 267 & 268, 269 & 270, 271 & 272, 273 & 274, 275 & 276, 277 & 278, 279 & 280, 281 & 282, 283 & 284, 285 & 286, 287 & 288, 289 & 290, 291 & 292, 293 & 294, 295 & 296, 297 & 298, 299 & 300, 301 & 302, 303 & 304, 305 & 306, 307 & 308, 309 & 310, 311 & 312, 313 & 314, 315 & 316, 317 & 318, 319 & 320, 321 & 322, 323 & 324, 325 & 326, 327 & 328, 329 & 330, 331 & 332, 333 & 334, 335 & 336, 337 & 338, 339 & 340, 341 & 342, 343 & 344, 345 & 346, 347 & 348, 349 & 350, 351 & 352, 353 & 354, 355 & 356, 357 & 358, 359 & 360, 361 & 362, 363 & 364, 365 & 366, 367 & 368, 369 & 370, 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## TELEVISION

## SATURDAY

## BBC1

5.00 News. 7.30 Felt the Cat. 7.45 Joe 90. 8.10 5.00 News. 8.30 Round the Twist. 8.50 Parallel 10.50 To Lash with Love. 11.45 Weather.

1.40 Grandstand. Introduced by Desmond Lynam. 12.00 Tennis: Wimbledon '94. Coverage of the sixth day's action from the All-England Club, as players vie for a place in the last 16. Commentary by John Barrett, David Mercer, Mark Cox, 588 Thelma, John Alexander, Paul Hutchins, Julian Tait, Virginia Wade and Ann Jones. 1.00 News. 1.05 Tennis. 4.45 World Cup '94: A round-up of news from America, where Argentina and Holland are among the teams in action later today. Times may vary.

5.10 News. 5.20 Regional News and Sport.

5.25 Film: The Three Musketeers. Comic version of Dumas' classic about three swordsmen who foil a treacherous plot to kill King Louis XIII. Starring Oliver Reed, Richard Chamberlain and Michael York (1973).

7.10 Pop Quiz. Roger Taylor, Pete Cunnah, Toby Jepson and Matthew Pateman compete in the test of musical knowledge, featuring archive footage of Cat Stevens, Rod Zippin and The Waterboys.

7.40 Hit the Road. Team captains Jonathan Coleman, Annabel Giles and John Leslie urge Bobby Derr, Stuart Hall, Jonathan Morris, Jerry Powell, Sarah Vandenbergh and Bradley Wade to perform a variety of bizarre tasks in Herogates.

8.20 News and Sport Weather.

8.40 World Cup Grandstand. Argentina v Nigeria. Live coverage from the World Cup. The Nigerian players will be able to emulate the exploits of Cameroon, who denied Argentina entry in the opening game of the 1994 Cup. Highlights of Belgium v Holland, and Saudi Arabia v Morocco.

11.00 Athletics: European Cup. David Coleman comments on the opening day's action from Alexander Stadium, Birmingham.

11.40 Film: Relentless. A newly promoted detective and his jaded partner set out on the trail of a serial killer who selects his victims from the telephone directory. Thriller, starring Robert Loggia (1988).

1.10 Weather. 1.15 Close.

## BBC2

6.00 Open University. 12.15pm Film: Castle of the Wolf. 12.30pm Opening Shot.

1.40 Gardeners' World Live. Highlights of some of the designer gardens displayed at the programme's annual show at the National Exhibition Centre, Birmingham. Plus, David Stevens meets Noel Edmonds and a green-fingered Mr Bobby when he visits Crinkley Bottom.

2.30 Scrutiny. Investigations into the latest parliamentary issues and concerns.

3.00 Wimbledon '94. Live coverage from the famous lawns of the All-England Club, as the seeds duke it out with ambitious outsiders for a place in the last 16. Once again the top names will start as favourites, but it has been something of a trend in recent tournaments for unranked outsiders to put one over on their more favoured opponents, as Britain's Jeremy Bates showed with his victory over three-times Wimbledon winner Boris Becker in the Stella Artois tournament at Queen's Club.

8.30 Film: Young Sherlock Holmes. Action-packed adventures following the teenage detective and his sidekick Watson as they embark on their first investigation while still at school. Nicholas Rowe and Alan Cox star (1985).

10.15 Today at Wimbledon. Sue Barker presents highlights of today's play, and analyses the first week of the tournament with the help of an expert studio guest.

11.15 Fine Cut. The award-winning documentary series focuses on the controversial issue of modern sexual attitudes. This film reveals the humorous yet tragic tale of men and women who choose to live without the social, moral and psychological constraints of the rest of society at a time when casual promiscuity can prove deadly.

12.35 Film: The Adventures of Gerard. A boastful French officer undertakes a mission to deceive the English forces during the Napoleonic Wars. Comic historical adventure, starring Peter McEnery, Claudia Cardinale and El Walech (1970).

2.00 Close.

## LWT

6.00 GMTV. 8.30 News. 11.30 The ITV Chart Show. 12.30pm Opening Shot.

1.00 ITN News: Weather.

1.05 London Today: Weather.

1.10 NBA Basketball.

2.00 Athletics: The European Cup. Jim Rosehill introduces the opening day's action from Alexander Stadium, Birmingham.

4.45 ITN News: Weather.

5.00 London Today: Weather.

5.15 World Cup '94. Belgium v Holland from the Citrus Bowl, Orlando. The Dutch have spread the international net far and wide to track in their team for this tournament, while Belgium's squad is drawn entirely from the domestic first division, with the exception of Parma's George Grun and Enzo Scifo of Monaco.

7.45 Stars in Their Eyes. Soundbite contestants take the stage as Neil Sedaka, Mick Hucknall, George Michael, Corina Francie and Linda Perry of 4 Non Blondes.

8.30 Film: Beaches. A successful singer visits her terminally ill friend to reminisce about their life-long relationship. Tearjerker, starring Bette Midler and Barbara Hershey (1988).

10.30 ITN News: Weather.

10.40 London Today: Weather.

10.45 Film: Bright Lights, Big City. Drama starring Michael J. Fox as a magazine reporter who falls in love with a woman who is a runaway from her life-long relationship with her father (1988).

12.45 Tour of Duty: ITN News Headlines.

1.40 The Big E.

2.35 Gaz Top Ten Stop: ITN News Headlines.

3.35 Cinema, Cinema, Cinema.

4.05 BPM.

5.00 Hot Wheels.

## CHANNEL4

6.00 4-Tel on View. 8.35 Early Morning. 10.00 Time World Sport. 11.00 Gaudi Games. 12.00 Sign On At Leisure. 12.30pm People First.

1.00 4 Goes to Glasgow. Live coverage from the annual rock festival, including performances by M'Shell, Grant Lee Buffalo and Nicky Katt. Comedy cabaret acts and choral works.

2.40 Racing from Newmarket and Newcastle. Introduced by John Frayne and Derek Thompson. From Newmarket: The 3.05 Fred Archer Stakes, 3.55 Van Gaster Criterion Stakes, 4.10 Ewer Stud Empress Stakes, and the 4.45 Plantation Stud Maiden Stakes. From Newcastle: The 2.45 Cammerell Handicap, 3.20 Journal 'Good Morning' Handicap, 3.55 Newcastle Brown Ale Northumberland Plate (11cp Stakes), and the 4.30 Harrowes Thimble and Building Supplies Stayers Championship Series Stakes (11cp).

5.05 Brookside: News Summary.

6.30 Film: Jason and the Argonauts. Classic fantasy adventure chronicling the legendary Greek hero's perilous quest for the fabled Golden Fleece. Starring Todd Armstrong, Nancy Kovack and Honor Blackman (1963).

8.35 The Sexual Imperative. How offspring are reared, including an insight into the resources parents need to provide for their young successfully.

9.30 The Unpleasant World of Penn and Teller. Another chance to enjoy the duo's Rube Goldberg-style American duo. With Fiona Fullerton.

10.00 4 Goes to Glasgow. Further live coverage from the music spectacular.

12.30 Late Licence.

12.40 Herman's Head.

1.10 Just for Laughs.

1.40 Naked City.

2.35 Beans and But-Head.

2.55 True or False.

3.35 Close.

## REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Carlton News. 1.30 Nigel Mansell's IndyCar '94. 2.00 Athletics: The European Cup. 3.00 Anglia News and Sport. 10.40 Anglia News. 10.45 The Legend of Billie Jean. (1985)

12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Footprint. 1.30 Nigel Mansell's IndyCar '94. 2.00 Athletics: The European Cup. 3.00 Border News and Sport. 10.40 Border News. 10.45 The Legend of Billie Jean. (1985)

12.30 Movies, Games and Videos. 1.05 Channel News. 1.10 Footprint. 1.30 Nigel Mansell's IndyCar '94. 2.00 Athletics: The European Cup. 3.00 Channel News and Sport. 10.40 Channel News. 10.45 The Legend of Billie Jean. (1985)

12.30 Movies, Games and Videos. 1.05 Granada News. 1.10 Footprint. 1.30 Nigel Mansell's IndyCar '94. 2.00 Athletics: The European Cup. 3.00 Granada News and Sport. 10.40 Granada News. 10.45 The Legend of Billie Jean. (1985)

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## CHESS

Nigel Short and Michael Adams are through to the final world championship semi-finals after surviving the hazards of speed chess play-offs at New York's Trump Tower.

Short defeated Boris Gelfand of the US in their third break while Adams required all six speed games, ending in a 104-move marathon, to eliminate Sergei Tivakov.

One of Adams' specialities is his home-made opening repertoire with the white pieces. Here, a c3 against the Sicilian avoids most book lines, and play really starts when his shrewd 14 Bg5 provokes slight but ultimately decisive gaps in the Russian's defences.

M. Adams, White; S. Tivakov, Black; 6th game 1994.

1 e4 c5 2 c3 d5 3 exd5 Qxd5 4 d4 Nf6 5 Nf3 Nc6 6 Be3 Qd6 7 cxd4 e6 8 Nc3 Qd6 9 a3 Be7 10 Bb3 0-0 11 0-0 b6 12 Qe2 Bc7 13 Bc4 Bc8 14 Bg5 e6 15 Be4 Bc8 16 Bc4 Nf6 17 Bc3 Nf6 18 Bc4 Nf6 19 Bc3 Nf6 20 Bc4 Nf6 21 Bc3 Nf6 22 Bc4 Nf6 23 Bc3 Nf6 24 Bc4 Nf6 25 Bc3 Nf6 26 Bc4 Nf6 27 Bc3 Nf6 28 Bc4 Nf6 29 Bc3 Nf6 30 Bc4 Nf6 31 Bc3 Nf6 32 Bc4 Nf6 33 Bc3 Nf6 34 Bc4 Nf6 35 Bc3 Nf6 36 Bc4 Nf6 37 Bc3 Nf6 38 Bc4 Nf6 39 Bc3 Nf6 40 Bc4 Nf6 41 Bc3 Nf6 42 Bc4 Nf6 43 Bc3 Nf6 44 Bc4 Nf6 45 Bc3 Nf6 46 Bc4 Nf6 47 Bc3 Nf6 48 Bc4 Nf6 49 Bc3 Nf6 50 Bc4 Nf6 51 Bc3 Nf6 52 Bc4 Nf6 53 Bc3 Nf6 54 Bc4 Nf6 55 Bc3 Nf6 56 Bc4 Nf6 57 Bc3 Nf6 58 Bc4 Nf6 59 Bc3 Nf6 60 Bc4 Nf6 61 Bc3 Nf6 62 Bc4 Nf6 63 Bc3 Nf6 64 Bc4 Nf6 65 Bc3 Nf6 66 Bc4 Nf6 67 Bc3 Nf6 68 Bc4 Nf6 69 Bc3 Nf6 70 Bc4 Nf6 71 Bc3 Nf6 72 Bc4 Nf6 73 Bc3 Nf6 74 Bc4 Nf6 75 Bc3 Nf6 76 Bc4 Nf6 77 Bc3 Nf6 78 Bc4 Nf6 79 Bc3 Nf6 80 Bc4 Nf6 81 Bc3 Nf6 82 Bc4 Nf6 83 Bc3 Nf6 84 Bc4 Nf6 85 Bc3 Nf6 86 Bc4 Nf6 87 Bc3 Nf6 88 Bc4 Nf6 89 Bc3 Nf6 90 Bc4 Nf6 91 Bc3 Nf6 92 Bc4 Nf6 93 Bc3 Nf6 94 Bc4 Nf6 95 Bc3 Nf6 96 Bc4 Nf6 97 Bc3 Nf6 98 Bc4 Nf6 99 Bc3 Nf6 100 Bc4 Nf6 101 Bc3 Nf6 102 Bc4 Nf6 103 Bc3 Nf6 104 Bc4 Nf6 105 Bc3 Nf6 106 Bc4 Nf6 107 Bc3 Nf6 108 Bc4 Nf6 109 Bc3 Nf6 110 Bc4 Nf6 111 Bc3 Nf6 112 Bc4 Nf6 113 Bc3 Nf6 114 Bc4 Nf6 115 Bc3 Nf6 116 Bc4 Nf6 117 Bc3 Nf6 118 Bc4 Nf6 119 Bc3 Nf6 120 Bc4 Nf6 121 Bc3 Nf6 122 Bc4 Nf6 123 Bc3 Nf6 124 Bc4 Nf6 125 Bc3 Nf6 126 Bc4 Nf6 127 Bc3 Nf6 128 Bc4 Nf6 129 Bc3 Nf6 130 Bc4 Nf6 131 Bc3 Nf6 132 Bc4 Nf6 133 Bc3 Nf6 134 Bc4 Nf6 135 Bc3 Nf6 136 Bc4 Nf6 137 Bc3 Nf6 138 Bc4 Nf6 139 Bc3 Nf6 140 Bc4 Nf6 141 Bc3 Nf6 142 Bc4 Nf6 143 Bc3 Nf6 144 Bc4 Nf6 145 Bc3 Nf6 146 Bc4 Nf6 147 Bc3 Nf6 148 Bc4 Nf6 149 Bc3 Nf6 150 Bc4 Nf6 151 Bc3 Nf6 152 Bc4 Nf6 153 Bc3 Nf6 154 Bc4 Nf6 155 Bc3 Nf6 156 Bc4 Nf6 157 Bc3 Nf6 158 Bc4 Nf6 159 Bc3 Nf6 160 Bc4 Nf6 161 Bc3 Nf6 162 Bc4 Nf6 163 Bc3 Nf6 164 Bc4 Nf6 165 Bc3 Nf6 166 Bc4 Nf6 167 Bc3 Nf6 168 Bc4 Nf6 169 Bc3 Nf6 170 Bc4 Nf6 171 Bc3 Nf6 172 Bc4 Nf6 173 Bc3 Nf6 174 Bc4 Nf6 175 Bc3 Nf6 176 Bc4 Nf6 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This week I received a visit from a man from the Iranian embassy, or rather, as his card specified, The Islamic Republic of Iran. He was not wearing a tie.

They do not, in the Islamic Republic. I believe it is something to do with the tie being a Christian symbol, crosses and all that, which keeps the Iran of the ayatollahs an open-necked zone.

Open-necked is not quite accurate. The man from Tehran had his white shirt buttoned (on a very hot day) to the top. Now, I do not want to argue that I would have been friendlier to my visitor if he had been wearing a tie: we opinion formers are never so superficial, even after a good lunch

## Wrestling with a knotty problem

Dominic Lawson confesses to an increasing affliction — clothing cowardice

on a hot day in the City. But the embassy's strict adherence to the dress code of a regime we tend to regard as a fanatical alien theocracy was not designed to put me at my ease.

Clearly the man could not have been a spy. But what must he have thought of me? Here, in an office lacking air-conditioning with the windows bolted shut against the noise of passing traffic, sat the Englishman in a suit and tie, drinking hot tea with milk.

Which of the two men could be said to have the odder customs, at least as far as dress is

concerned? The encounter set me thinking. Why should I not come to work in the summer dressed in the open-necked style which pleases me, rather than some unfathomable code of etiquette.

This tie business is a particular problem. I like my existing range of shirts, but in the past, while the sleeves have kept their length nicely, the collars have mysteriously shrunk in the wash.

Every weekday morning there is an awesome, apocalyptic struggle to lock the tie into place. The blood supply to the brain is impaired, and the ideas which I

woke up with, dwindle in direct proportion to the diminished supply of oxygen.

There is no excuse for this. It is not as if there was some senior figure in the office who could tell me that I was not properly dressed without a jacket and tie. Nor would I have any trouble getting into restaurants. With the exception of the Savoy Group and the Ritz, I can think of few places of executive entertainment where the traditional dress code is rigidly enforced. And even there the staff will gladly lend the casual diner a temporary jacket and tie. I

suppose it all boils down to that awful disease of the middle-aged: the desire to be taken seriously.

I am frightened to be mistaken for an advertising copywriter or a member of the bohemian intelligentsia — my office is dangerously close to *The Guardian*.

At weekends too, I am increasingly afflicted by this clothing cowardice. When I am in Gloucestershire, solid farming country, I do not want the passing men of the soil to realise, before I open my mouth, that I am an interloper, a man from the

"smoke", as they call London. So I must wear a Barbour jacket, old corduroy trousers, and uncloaked green wellingtons. I am still, of course, betrayed by the speed with which I drive my car around their narrow lanes, but there are sacrifices my temperament is not prepared to make, even for social acceptability in the shires.

There are certain people, back in the City, who think they have found the answer, who have developed an item of dress which is meant to proclaim: "Yes, I have a good and responsible job, but I am more witty and imaginative

than the rest of you borer."

This item is called the bow tie. But, while I have one or two friends who perpetrate this sartorial statement, I think we can all agree that, on the whole, bow-tie wearers are wrong: "the circumstantial evidence is compelling."

Indeed, had the man from the Iranian embassy come into my office wearing a bow tie, I would have been even more undiplomatic over the matter of Salman Rushdie.

You will have noticed that I have touched only on the matter of male dress codes. And unavoidably so. While it is true that the public dress of women in the Islamic Republic of Iran is not striding on variety, over here only a black could scratch the surface of so deep and mysterious a social mine.

■ Dominic Lawson is editor of *The Spectator*

Private View/Christian Tyler

## Breakfast with a one-man welfare state

To be invited to breakfast and discover your host making tea and toast in his dinner jacket is mildly disconcerting, especially if he is nearly 79 years old.

Could the famously unconventional Michael Young (less well known as Lord Young of Dartington) have just returned from an all-night, end-of-term, party? Unfortunately, no. He was just saving time ahead of an evening engagement at Glyndebourne opera.

But since it is nearly the end of term and since it is also the 25th anniversary of the Open University, the creation of which Michael Young inspired (the OU now boasts more than 200,000 students and has been copied in 30 countries), it seemed a good time to find out what this remarkable entrepreneur was up to.

Lord Young is too gentle for an entrepreneur, too modest for a visionary. Listening to the thin, quiet voice it was hard to picture the social revolutionary who, among other things, drafted the 1945 Labour Party manifesto founding Britain's welfare state, coined the word "university" (to mean of its dangers) and created the Consumers' Association with its enormously successful magazine, *Which?*

He has a talent for originality rare in a conformist world. He sees what is happening rather than what ought to be happening, describes what is lacking, and sets about creating an organisation to supply it. It is a one-man welfare state.

One of his latest wheezes — a prediction, really, for the next century — is the "open school". It is his solution to the problems of truancy, disruption and academic failure and modelled on the Open University principle that every student is a volunteer, not a consumer.

Children are growing up sooner, Lord Young observes, but the time they spend in schools gets longer. Therefore they should, if they wish, be able to leave at any point after primary level and do something socially useful under supervision — including learning from home — until they are ready to resume formal studies later in life.

Utopian, or merely? From any other mouth such an idea would be mocked to death. But similar schemes are emerging already.

"I suppose I am influenced by the fact that I was at a school where there was little or no compulsion," Lord Young explained. He was referring to Dartington Hall School, the progressive establishment in Devon (recently closed after a series of scandals).

"We didn't have to attend classes unless we wanted to. And one was

encouraged to learn through undertaking projects of various kinds. So when I was 13 or so I mainly worked on a poultry farm. In the woods. I also set up a motorcycle repair business and bought and sold motorcycles. Through the chickens I learnt elementary book-keeping and how not to make a terrible loss.

"I was certainly happy there. I think happiness is a good goal to learning. It put the idea in my mind how much more swiftly people learn if they really want to and how it can be spoilt for them if they have to. What may be awful at 10 may be very agreeable at 13, and so on. Children don't develop at the same rate."

You went to some classes at Dartington I suppose?

"I went to a few, mmm. I was mainly interested in painting." He indicated a youthful landscape on the sitting room wall and told me he had a studio full of pictures. "And I was interested in philosophy. If there were any compulsory classes they were in philosophy. Bertrand Russell's children were there too. He was quite a frequent visitor and sometimes joined in the classes."

What about the learning gaps? Lord Young's example was not persuasive, he recalled visiting Blenheim Palace as a youth with Anthony Crosland and Roy Jenkins and marvelling at their knowledge of the painters displayed there.

Gaps or no, Michael Young was able to get a degree at the London School of Economics while simultaneously qualifying as a barrister. Unfit for military service because of asthma, he ran the think-tank Poli-

most young children would certainly go. You just have to see what pleasure children of three get at nursery school.

"You would have to introduce this sort of thing gradually. People would be nervous, and rightly, about the minority of children who might escape the system altogether. Clearly there are a lot of children for whom the standard diet is satisfactory. They take to it beautifully.

which was unconventional. Michael Young's father was an Australian violinist who turned music critic. His Irish mother separated from his father, after falling for a Russian Bolshevik with a flashing smile, and lived the bohemian life: love affairs, painting, partying and teaching at the Workers Educational Association.

I asked her son what, in founding 30 or more organisations, he had

Lord Young inspired the creation of the Open University and drafted the 1945 Labour Party manifesto: he sees what is lacking and sets about creating an organisation to supply it.

cal and Economic Planning during the second world war, joining Labour Party headquarters as research director at the end.

He became disillusioned with politics and the outcome of the nationalisation which he had himself fostered. So he turned to sociology, achieved a doctorate, and lectured for a while at Cambridge. He calls himself a "libertarian socialist".

Open schools sounded fine, I said, but with the demands of today's economy could we wait for children to feel ready to learn?

"But you can't train someone, not effectively, who doesn't want to be trained," he replied. "It's not that I'm against schools, or education or anything. I just like them to be attractive. If one was to abolish compulsory education altogether

it would be awful if any changes were to upset that.

"In essence they are volunteering. So they've got to be catered for along with the rest. You can't just have everyone walking in the woods and coming back with nice charcoal sketches," he laughed.

What about "workfare"? Lord Young's voice adopted a stentorian authority as he pretended to address a defaulter. "Yes. You don't look after people with Alzheimer's disease. You haven't learned how to look after a trout fishery in north Wales. You have refused to go to Africa to help with the irrigation scheme in Rwanda. There's something wrong with you. John! You can't expect us to keep you if you don't do anything at all."

It was not only his schooling

been trying to do all these years. "God knows. Maybe he doesn't. I've obviously tried to meet a need. I think I've got a rather keen sense of the market — usually not a commercial market — or of a demand that can be met by some innovation. I've always been motivated by opposition."

He is also moved by what he calls "the wonderful potential in all of us that isn't being realised."

"And I think there has been a sort of communitarian or collectivist theme. I've always thought that co-operatives were, on principle, the best sort of organisation for economic and social purposes."

So the Consumers Association is an information co-operative whose members act as guinea-pigs for each other's purchases. The Advisory

Centre for Education monitors schools, the College of Health medical treatment. His University of the Third Age, set up with the social historian Peter Laslett, has retired people teaching each other. On his "brain trains" it is the commuters. He recognises, however, the failure of most workers' co-operatives. That had been a disappointment, he said.

Are people fundamentally collaborative or selfish?

"Both. But I think what we've played up is the selfish side of it, and the collaborative side has been played down. The way we think about society and manage it — I think the whole thing is out of balance."

Many people must think of doing something when their toaster doesn't work, I said. But you go and start an organisation. What makes you different?

"What I learned from Dartington is the practical, or administrative, sense. I don't think I'm a good administrator of something which is routine but I think I'm a good administrator of something which isn't yet born because I have a rather good head for detail."

And because you know how to work the system?

"I can often see where with small effort you can achieve a relatively large result."

He guards against failure by looking for people to find fault with his schemes. "The most valuable people in any new enterprise are those who think it's no good."



David Hurn/Corbis

You seem to enjoy creating these bodies as much as seeing the lights, I said.

"Once something's going, if it is going, I'm happy to leave it. Unfortunately I find it difficult not to keep thinking of things to be done. They come streaming into my mind."

His latest project is to improve the rites of death. It may have less to do with his age than with the premature death exactly a year ago of his second wife, Sasha Mooroom. It is obvious he misses her a great deal. "I would have liked to have died before her and to change

places with her if one of us had to die," he said, almost whispering.

He spent hours in research at crematoria watching the hurried routines enforced by the expense of the machinery. "Binding people to the pace of the machine can give a very inhuman result," he said. "It is even more terrible than I thought." His National Funerals College, launched this month, aims to remedy that by putting clergy, funeral directors, counsellors and crematorium managers together.

There is yet another project on the books, to do with the beginning of life. But that is still a secret.

## Good-bye battery



Seiko's technology is truly remarkable. The automatic movement of a Seiko watch is a masterpiece of engineering. It is a self-contained unit that generates its own power from the motion of your wrist. No batteries, no charging, just pure mechanical magic. The Seiko Kinetic watch is a testament to the company's commitment to innovation and precision. It's not just a watch, it's a work of art. The time is now. KINETIC.

## An inter-galactic goal

Michael Thompson-Noel



ensconced in the sitting room, which she chooses to call the green room, watching Wimbledon, or films about surfs.

She watches nothing else. She is contemptuous of soccer — except, that is, for a handful of Latin American players whose careers she monitors with wistful devotion.

I bumped into her the other evening. She said: "Hello, Michael. How is Valderrama doing? Is he jolting things up?"

I said: "Carlos Valderrama, who plays for Colombia? What a big

girl's-blouse. All that ridiculous hair, and what does it add up to? Nothing whatsoever. Colombia are finished. They haven't won a point. What a load of rubbish."

"How about Echeverry, that nice Bolivian? I imagine he's surging."

"I'm afraid that Echeverry kicked a German and was shown the red card, so it's goodbye to him."

"Caniggia of Argentina?" Miss Lee looked distracted. "Surely he's prospering, thrusting into the penalty area, banging home the goals."

"Claudio Caniggia is another girl's-blouse."

"So tell me about yourself, Michael. How are you doing? I recall that among a series of half-baked forecasts you made at the start of the year, you predicted that in the final of the World Cup Norway would beat Brazil 3-1."

"Did I?"

"It was New Year's Day. I remem-

ber sitting in the green room on New Year's Day and perusing, for want of something better, a series of forecasts you made for 1994, of which Norway to beat Brazil 3-1 in the final of the World Cup was possibly the most eccentric.

"You sounded highly disturbed. You predicted, for example, that the FTSE 100 would top-out at 3,660 before Easter and then fall like a stone in September or October, and that the gold price would finish 1994 above \$500 an ounce."

"And so it could, if the Chinese masses get their dander up and buy gold heavily. They love their gold, those Chinese masses. An extra ounce per Chinese household per calendar year would send the gold price soaring."

"You also said that John Major would resign."

"And so he will, Miss Lee. Just as Norway will beat Brazil in the World Cup final. You'd like Norway. There's Sigurd Rushfeldt and Jan Aage Fjortoft and John Ivar Jakobsen."

I looked up. Miss Lee had vanished. I was talking to myself. I returned to the dining room, to my glistering screen, which brings me weird stories from places far away.



I am enjoying the World Cup. Soccer is the world's game, and will be one of the first cultural activities mankind establishes on foreign planets once we embark on space colonisation.

Many astronomers believe that the galaxies teem with intelligent life. Some astronomers believe that colonisation must be well under way in many galaxies, including our own. As stars wax and wane, people migrate towards the galactic core, in search of fresh worlds, and discover that the galaxies are veined by refugees and trade routes streaming inwards, towards concentrations of civilised life.

I like that theory. I believe it to be true, which leads me to imagine that somewhere close to the centre of our own galaxy — perhaps at this moment — a variety of beings are competing in the Milky Way World Cup of soccer-playing planets.

Given the distances, and the problems with travel — strikes by signalers, the congestion at stellar intersections — I doubt whether the Milky Way World Cup is staged at

intervals shorter than 10,000 light years. But it must be fun when it happens. Imagine the advances in tactics and the improvements in training methods that must be displayed at this galactic soccer festival once every 10,000 light years.

From that perspective, our own World Cup is a primitive thing indeed, ruggedly prehistoric, played by coarse creatures barely out of the slime stage, evolutionarily speaking, though much further up the scale of soccer-playing life. It has to be admitted, than the creatures from countries that failed to qualify — many of whom, unfortunately, are at a pre-language stage and do not use utensils to cut meat.

I am lucky that I can watch the World Cup undistracted by distaff chattering. I am watching the World Cup on the smaller of our two television sets, in a corner of the dining room, while Miss Lee, my executive assistant, is